Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr.42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon .. L£ 6.00	Sweden .. Skr 8.50
Egypt .... E£1.00	Luxembourg .. LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $95
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Budget boost for Dutch coalition, Page 2

World news

Mexico City rocked by quake

The Mexican Government has declared Mexico City a disaster area after a big earthquake killed at least 150 people and shattered scores of buildings.

Hundreds of residents in the capital – with an 18m population – were trapped in rubble from collapsed hotels, schools and apartment blocks, Mexican television monitored in Guatemala, said.

Domestic communications were cut by the earthquake, which measured 7.8 on the Richter scale – the world's strongest since one that killed at least 177 people in Chile in March.

'Asian' law to go

South Africa's President, Mr P. W. Botha, plans to repeal a law barring Asians from living in the Afrikaners' heartland, the Orange Free State province.

Nato choice

West German General Wolfgang Altenburg has been elected chairman of Nato's military commitee.

Portugal protests

Portugal has sent a strong protest note to the Australian Government over reported plans for joint exploration by Australia and Indonesia of oil deposits in the Timor Sea.

Bus crash kills six

Six people were killed and 14 injured in the town of Olsztyn, northern Poland, when a bus was crushed between two trains.

Moscow apology

The Soviet Union has apologised for one of its bombers violating Swedish airspace last June after initially denying the incident took place.

Policeman flees

A 34-year-old uniformed East German policeman escaped to West Berlin in his patrol boat across the Havel Lake, which marks the border with the communist section of the city.

Brandt honoured

Former West German Chancellor Herr Willy Brandt has won the 1985 Einstein Peace Prize.

Bangladesh payout

The Bangladesh Government is to award 1.8m taka ($65,517) to the families of 81 former bank workers who starved to death after they were dismissed in 1981 for striking.

Crime 'queen'

The alleged queen of Thailand's underground financial world, "Mae" Chamoy Thipyaso, has appeared in a Bangkok court on charges of swindling $168m from 16,231 investors.

MPs in court

Two opposition party members of Korea's National Assembly have appeared in a Seoul court after an anti-government demonstration on Korea University's campus. Page 3

60 cultists die

Sixty people belonging to a religious cult in Manila died after their leader forced them to eat porridge laced with insecticide.

Tehran bomb

A two-year-old girl was killed and 36 people injured by a bomb at a bus station in the Iranian capital of Tehran.

Gulf attack

Iraq said its aircraft attacked Iran's Kharg Island oil terminal, destroying an oil loading dock. Iran said a tanker was ablaze and two seamen were killed.

Test victory

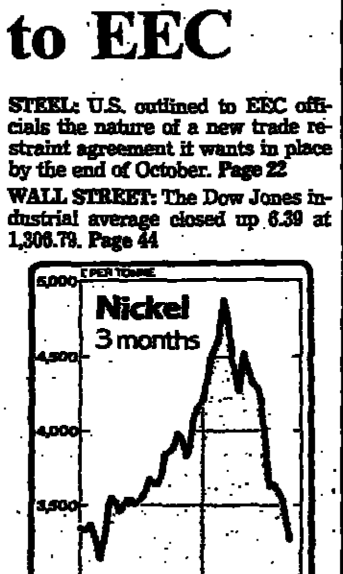
Sri Lanka won their first Test cricket series 1-0 when they drew the last of three matches against India at Kandy.

Business summary

U.S. plan for steel outlined to EEC

STEEL: U.S. outlined to EEC officials the nature of a new trade restraint agreement it wants in place by the end of October. Page 22

WALL STREET: The Dow Jones industrial average closed up 6.39 at 1,306.79. Page 44



NICKEL prices fell sharply on the London Metal Exchange after reports that some nickel-producing companies had stopped buying on the market. Three-month metal fell £160 from Wednesday's unofficial close of £3,400 before rallying to an unofficial close of £3,282.50 a tonne, the lowest level for 18 months. Page 36

LONDON equities recorded widespread gains, while gilts ended mostly unchanged. The FT Ordinary share index added 7.0 to 1,007.8. Page 44

TOKYO shares were higher, with property and construction issues especially sought. The Nikkei-Dow market average gained 35.33 to 12,584.99. Page 44

DOLLAR fell in London to DM 2.9010 (DM 2.9240), SwFr 2.383 (SwFr 2.388), FFr 8.845 (FFr 8.88) and Y242.0 (Y242.1). On Bank of England figures, the dollar's exchange rate index was up at 141.1 from 140.8. Page 37

STERLING rose 45 points in London to close at $1.3405. It also rose to DM 3.8875 (DM 3.775), SwFr 3.195 (SwFr 3.19), FFr 11.8575 (FFr 11.8375) and Y324.5 (Y323.5). The pound's exchange rate index was unchanged at 81.1. Page 37

GOLD: In New York the December Comex settlement was $324.60, rose $1.75 on the London bullion market to close at $316.75. It also rose in Zurich to $316.75 ($316.65). Page 36

BANQUE DE FRANCE has lowered its money-market intervention rate by a quarter of a percentage point to 9¼ per cent in what is seen as a signal to French commercial banks to lower base lending rates.

CREDIT Commercial de France, the state-owned bank, lifted net profits 35 per cent to FFr 103m ($11.6m) in the first half of 1985. Page 24

INSTITUTO Nacional de Industria, Spain's public sector holding company, has sold the travel agency Viajes Marsans to Trapsatur, a Spanish travel company for Pta 907m ($5.3m). Page 25

PIEROTH, biggest West German wine merchant, sees a cut in sales of between DM 50m ($17.3m) and DM 60m this year as a result of its involvement in the scandal over Austrian wines doctored with the chemical diethylene glycol. Page 23

MONIER, Australian building products group, announced a 35.7 per cent rise in net profits to A$31.04m (U.S.$21.1m) for the year to June and a one-for-10 scrip issue. Page 25

AHOLD, Dutch food retailer, lifted earnings 17 per cent to Fl 62.1m ($19.1m) in the first seven months of 1985. Page 24

SEL, the West German arm of ITT, is to start manufacturing video recorders in Rome in December. Page 23

SONY, Japanese electronics group, lifted overall consolidated sales 12.6 per cent in the third quarter to Y349.4bn ($1.4bn). Page 25

JOHN FAIRFAX, Australian media group, lifted net earnings 40 per cent to A$43.04m (U.S.$29.47m) in its year to June 30. Page 25

World Bank hopes higher lending will win capital boost

BY STEWART FLEMING IN WASHINGTON

THE WORLD BANK, the Washington-based development agency, is expecting to increase its lending to developing countries by up to $2bn to $13.5bn in its current financial year, a boost which it hopes will help to clear the way for approval of a major increase in its capital resources.

But the agency's annual report concedes that the bank and the International Monetary Fund (IMF) need to make greater efforts to work more effectively together in helping to improve the economic performance of developing countries. Citing an internal investigation of bank-IMF collaboration, the annual report says that its officials need to "have a clearer understanding" of the conditions the IMF attaches to its loans and need to improve the speed with which they respond to IMF requests for information.

The report makes it clear that the World Bank is not anticipating a firm decision on a capital increase at next month's annual meeting in Seoul.

According to Mr Joseph Wood, vice-president for financial policy, planning and budgeting, the World Bank believes that it should be positioned to lend at the upper end of a $40bn to $45bn range in the three financial years 1986-88. It hopes that the annual meeting will approve a lending plan at this level and authorise the bank's management to work out details of the precise scale of the capital increase needed to support such lending.

The scale and timing of a capital increase for the World Bank has been a source of controversy, and at times recrimination, within the institution. In its latest financial year, the bank made loan commitments of only $11.4bn, well short of its target of between $12.6bn and $13bn. The shortfall helped to reinforce doubts among the industrial countries which supply the bulk of the bank's capital, about how urgently a capital increase is needed.

Those doubts still remain in spite of growing concern about the outlook for developing countries' economies and calls from officials such as Mr Paul Volcker, chairman of the U.S. Federal Reserve Board, for the World Bank to begin playing a bigger role in helping to resolve the problems of heavily indebted nations.

Commenting on the economic performance of the developing world, the bank's annual report paints a far from encouraging picture. It described 1984 as a mixed year, with partial global recovery as a result of the one-sided economic stimulus from the U.S. economy "whose ability to continue alone has been gradually eroded."

It says that in spite of the achievements in the rescheduling of $110bn of developing country debt in 20 countries, including the multi-year rescheduling agreement with Mexico, "difficulties in negotiating agreements with some debtors have increased. Opposition to the maintenance of restrictive policies, the burden of which falls heavily on the politically active urban population, has hardened in some countries."

Commenting specifically on Latin America, the most heavily indebted region with total external borrowings estimated at $360bn, it says that in spite of real growth of 2.8 per cent in gross domestic product (GDP) "it is likely that per capita consumption continued to decline." It points out, too, that favourable economic performance in a few of the largest countries was a major factor behind the overall upward trend in economic performance in the region.

In its own operations, the bank says that it has been putting increased emphasis on loans linked

Continued on Page 22

British employers given stark warning on wages

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE CONFEDERATION of British Industry has delivered the starkest of warnings to its member-companies: push pay settlements down to around 4 per cent in the coming pay round or face "unemployment rising, bankruptcies taking off again, inflation back up and profits slumping."

The grim forecast from the UK employers' organisation is made in its presentation on pay to member-companies, which has the unusually apocalyptic title of "make or break."

In this spirit, the presentation – now being made to the country's leading industrialists – says that "the next 12 months will be a time of make or break. We are, as a nation, again at a crossroads."

It says: "1979 marked the end of an era, with the disappearance of incomes policies and the corporatist approach. If we are not very careful, 1986 could mark another watershed – this time with the future of the free market approach very much at risk. Where would we go then?"

The 26-page document – which will also be made available in videotape form – shows that the bulk of pay settlement in the year 1984-85 have fallen in the range between 4.5 and 7.5 per cent, with the largest part of these falling around 6 per cent. The 2 per cent cut that the document stresses must be made would move the settlement spread down to between 2.5 and 5.5 per cent, with the largest part falling around 4 per cent.

It says: "Starting from a poor competitive position, we have at least to stop the rot on our labour costs. To close the gap means both continuing efforts to improve our productivity and pay settlements 2 percentage points lower than this time last year. If we do achieve this, it will be just one step in the right direction: if we do not, then 1987 and beyond will be very bad news, with unemployment rising, bankruptcies taking off again, inflation back up and profits slumping."

The document stresses that productivity, while improving, still lags badly behind those of the UK's major competitors – and notes that the newly industrialising countries are catching up to UK productivity levels with much lower pay.

It claims, however, that pay pressures will be lower in the coming year in key respects. Inflation is forecast to decline to 3.5 per cent; employees are showing increased understanding of the need for profits; real wages of those working have grown consistently in past years; employers have resisted claims for shorter working time; skill shortages are confined to few sectors; and the number of industrial disputes have "fallen dramatically."

The document says: "CBI members do not admit the unions' comparability claims, but earnings increases – earnings rather than settlements – are averaging 7 to 8 per cent in the private sector, and higher in manufacturing. We need to take the downward path, otherwise we could all too easily reach double-digit increases in earnings. Then the pressure for a public service breakout can be imagined."

Enterprise Oil succeeds with £122m Saxon takeover bid

BY DOMINIC LAWSON IN LONDON

ENTERPRISE Oil, the production arm of the British Gas Corporation, which was privatised last year has succeeded in its £122m ($163m) bid for Saxon Oil, a fast growing UK oil exploration company.

By yesterday afternoon, initial closing date for the offer, Enterprise had received acceptances accounting for 50 per cent of Saxon's equity. The company has already accumulated 22.4 per cent by buying Saxon's shares in the market at the offer price of 540p per share.

The success of Enterprise's bid for Saxon, which was recommended to shareholders on a five to four split vote by the Saxon board, terminates the merger deal planned between Saxon and another UK exploration company, Charterhouse Petroleum.

In July Saxon and Charterhouse announced an agreed £188m merger. But with one day to go before the closing date of the merger, and with 33 per cent of Saxon shareholders having already voted for it, the Takeover Panel forced Saxon to announce that it had received an approach from Enterprise.

The Enterprise bid – in cash with a partial share alternative – proved attractive to a stockmarket which had become disillusioned with the oil sector.

But Mr John Heaney, the Saxon chief executive who started the company five years ago with £15m, said last night: "This is an expression of the short-term thinking prevailing in the City. If the most successful disappear, it is not an efficient environment. The whole episode has been an eye-opener for me."

Schroder Wagg, the merchant bank which was instrumental in the original merger planned with Charterhouse and defended Saxon against Enterprise, said: "Cash speaks volumes in this market."

Schroder added that in its efforts to find a white knight it had excited the interest of a number of companies.

The overwhelming nature of the bid's acceptance was described by Enterprise as "most gratifying." Fewer than 8 per cent of the acceptances opted for the equity offer.

The £120m Enterprise will have to pay is about equivalent in size to its net cash holdings, but the company may choose to use a £250m credit facility it has recently taken

Canberra reform shifts tax burden to business

By Lachlan Drummond in Sydney

THE AUSTRALIAN Government yesterday introduced a tax reform package that will give back up to A$4.5bn (U.S.$3.6bn) to wage-earning taxpayers and recoup up to A$1.5bn in its first full year, mostly from increased taxes on business.

The key feature is a two-stage reduction in the marginal tax rate whereby the current 60 per cent top rate will fall to 55 per cent, then to 49 per cent by 1987-88 to match the corporate tax rate, which will be increased from the current 45 per cent level.

Along with an increased tax rate, business will be further hit by the end of the tax-deductible lunch, with entertainment expenses ceasing to be a deductible as of midnight last night.

A capital gains tax, charged on inflation-adjusted profits at the marginal tax rate, is also to be introduced. A range of non-wage job perk will be taxed, including company cars and low-cost loans.

As part of the reforms, an identity card will be introduced in Australia for the first time, in an effort to reduce tax evasion and fraud under the Medicare health insurance scheme.

The thrust of the package is to remove the incentive to avoid income tax by bringing previously untaxed employee benefits into the tax net and to remove any advantage from converting income to previously non-taxed capital gains.

The tax reform package, which on the Treasurer's figures involves a substantial benefit to the taxpayer who has tax withheld from his or her salary, has been accompanied by a reinforced message of government financial stringency.

Mr Paul Keating, the Treasurer, said that the shortfall between what is given and taken will not be made up through an increased deficit but through reductions in government programmes.

Included in the package is a tax imputation scheme for company dividends which will remove the effective double taxation of company dividends in personal hands, a step which will cost $250m.

The Government, however, intends to tax the profits of unit trusts conducting active operations, while retaining the non-taxable nature of investment trusts.

The imputation system will apply for dividends paid in 1987-88. The increased corporate tax rate will be imposed on collections for that year applying to profits from 1985-86.

A foreign tax credits system, similar to that in the UK and U.S., will

Continued on Page 22

Ministers put pressure on Hernu to quit

BY DAVID HOUSEGO IN PARIS AND OUR FOREIGN STAFF

M Hernu: denials win no support

PRESSURE mounted yesterday within France's Socialist Party for M Charles Hernu, the Defence Minister, to resign amid widespread incredulity over his latest denials over official French complicity in the Greenpeace affair.

Officials conceded yesterday that unless there was an early end to the crisis, the damage to the Government in a run-up to next spring's elections and to President François Mitterrand would be enormous.

Already the Government was showing signs of confusion following its inability to extricate itself from claims in France and in New Zealand over its involvement in the sinking of the Rainbow Warrior in Auckland Harbour on July 10. The ship was assigned by Greenpeace to protest against French nuclear testing in the Pacific.

Among ministers believed to be pressing for Mr Hernu's resignation was M Pierre Joxe, the Interior Minister and a confidant of the President. His ministry was one of the sources of the allegations made earlier in the week by Le Monde, the Paris daily.

These allegations included the claim that a third group of French foreign intelligence (DGSE) officials was behind the sabotage of the vessel, which claimed the life of a Portuguese photographer on board at the time.

Neither M Laurent Fabius, the Prime Minister, nor any other member of the Government has stepped forward to support M Hernu's latest denials, issued on Wednesday, which claimed that a "campaign of calumny" was being mounted against the French armed forces.

The official line is that the Government is united in its determination to establish the truth – which puts the onus on M Hernu as the minister responsible for the armed forces.

In the three weeks since he was asked by the Prime Minister to pursue the matter, M Hernu has been unable to name those responsible for sinking the ship.

His dilemma deepened yesterday after a statement by Mr David Lange, the New Zealand Prime Minister, which disputed French claims that there were only five French secret agents sent to New Zealand in connection with the sinking of the vessel.

"I know there were more than five people from France in New Zealand," Mr Lange told a press conference shortly after police disclosed that a man named by Le Monde was head of a sabotage squad and had been in Auckland around the time of the sinking.

A police official in Wellington said that there was evidence that a man named Louis-Pierre Dillais was in the city around mid-July. He would give no dates, but said that police had evidence that a "Philippe Dubaset" and someone named "Dormond" also had been in Auckland. It was not known if these were different people or aliases for one man.

The resignation of M Hernu, a senior minister and one close to President Mitterrand, would be a damaging blow to the Government. But senior Socialists believe that it would be preferable to a long drawn-out crisis in which President Mitterrand's image was increasingly eroded. It remains to be seen whether M Mitterrand's name can be entirely freed from the affair.

The President is involved because the senior army command which is accused of lying over responsibility for the operation is directly under his authority, and because of the moral symbol of his office.

M Mitterrand is also more directly implicated because M Joxe alerted him to DGSE activities in New Zealand on about July 18, eight days after the sinking, but the President waited for three weeks before naming a commission of enquiry into the affair.

Some in the opposition have already begun to say that if they are victorious in the parliamentary elections in March they do not want to share power with a President who was involved in a "cover-up."

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Pressure from neutral nations splits NPT talks

BY WILLIAM DULLFORCE IN GENEVA

A RESOLUTE effort by neutral and non-aligned countries to force the U.S., the Soviet Union and Britain to negotiate a comprehensive test ban treaty has split the 90-nation conference which has been reviewing the functioning of the nuclear non-proliferation treaty (NPT) for the last three weeks.

The final plenary session of the conference is scheduled to meet late this afternoon. Yesterday a drafting committee was striving to agree on the wording of a concluding declaration acceptable to both the nuclear-weapon powers and the non-nuclear countries.

The stumbling blocks are three resolutions tabled by Sr Alfonso Garcia Robles, the Mexican delegate, on behalf of the neutral and non-aligned countries.

One seeks agreement by the nuclear-weapon powers to negotiate a comprehensive treaty banning nuclear weapon tests. A second calls for a moratorium on nuclear testing as an interim measure until a comprehensive ban has been reached.

This resolution conforms with the moratorium on Soviet tests until the end of the year which Moscow announced on August 6.

The third resolution aims at a "nuclear freeze," halting further production and deployment of nuclear weapons.

If no consensus is reached on the wording of a declaration, Sr Garcia Robles wants votes taken on his resolutions at the final plenary session. He would certainly win the backing of the majority of the delegations.

The core of the dispute is article VI of the 1970 treaty under which the signatories undertook to negotiate a halt to the nuclear arms race and a treaty on nuclear disarmament.

Most of the 130 signatories feel strongly that their renunciation of nuclear weapons under the NPT has not been matched by action from the nuclear powers towards disarmament.

The U.S. and its allies argue that priority should go to negotiating a reduction in the number of weapons at the nuclear arms control talks between the U.S. and the Soviet Union which resumed here yesterday.

Washington and London also dispute that adequate verification measures exist to make a comprehensive test ban effective.

A similar disagreement over implementation of article VI prevented a common declaration being issued at the end of the second NPT review conference.

Other controversial resolutions before the drafting committee yesterday were one by the African nations calling for a halt to trade with South Africa and one from Iraq condemning Israel for its aerial attack on an Iraqi nuclear reactor in 1981.

Neither South Africa nor Israel has signed the NPT and both are believed to have the capability to make nuclear weapons.

Spain expected to stay in Nato after Cocom decision

BY TOM BURNS IN MADRID

THE Spanish Government's decision to join CoCom, which groups Nato member nations and Japan to monitor military exports, is viewed as an implicit rejection of any future withdrawal from the Western alliance.

The decision, taken at a Cabinet meeting on Wednesday, had been a contentious issue for the Government. CoCom membership had been opposed by Sr Fernando Moran, the former Foreign Minister who was dropped from the Cabinet last July, on the grounds that it could not precede a planned referendum on the question of Spain's continued presence in Nato.

Although the Government still plans to stage the Nato plebiscite, entry into CoCom is seen as a clear indicator that the possibility of withdrawal has been discounted by Socialist Prime Minister Sr Felipe Gonzalez.

Spain's refusal to join CoCom during Sr Moran's tenure at the Foreign Ministry, put in jeopardy a $200m (£149m) microchip-producing venture planned by American Telephone and Telegraph

Washington withheld approval on such investments because it was not satisfied there were sufficient controls in Spain to prevent the re-export of sensitive "dual use" technology.

Ireland chooses satellite from Hughes for DBS

BY OUR DUBLIN CORRESPONDENT

THE Irish Government has chosen a satellite designed by Hughes Communications of the U.S., to supply the direct broadcasting system (DBS). Programmes from the satellite will be receivable in the whole of the British Isles and parts of Northern Europe.

The choice of Atlantic Satellites consortium was something of a surprise since a rival group Westsat, which included the Irish Broadcasting Service, RTE and Allied Irish Banks, had been favourite.

In the event the Irish Government appears to have been worried at the possible losses which might be incurred by RTE if the project became a commercial failure. A final cost for the satellite, which is due to be operational in three and a half yers, could be Ir£100m (£80m). Atlantic Satellite is headed by Mr James Stafford, an Irish businessman. The experience of Hughes Communications in the manufacture of satellites appears to have swung the decision in its favour.

The Irish market could not support a DBS system on its own but the potential audience is estimated at almost 100m people. Mr Stafford has not made clear where he will acquire programming for the satellite but it is likely that RTE and some independent Irish producers will be involved. However, the bulk of the programmes is likely to be bought in from the U.S.

Austrian rivals sacked from party posts

By Patrick Blum in Vienna

TWO former Austrian finance ministers including the present head of the country's largest bank were suspended from holding positions in the ruling Socialist Party yesterday following a row which has seriously undermined party unity and morale.

A special meeting of the party's executive committee chaired by Dr Fred Sinowatz, the party leader and Chancellor, decided yesterday to suspend Dr Hannes Androsch, a former finance minister under Dr Bruno Kreisky and head of the Creditanstalt Bankverein, and Dr Herbert Salcher, finance minister until a government reshuffle in September last year, from all their party positions for the next five months. Both men retain their party membership.

For about two years Dr Androsch and Dr Salcher have been trading public insults following allegations of tax irregularities against Dr Androsch by supporters of Dr Salcher. Dr Androsch has always denied the charges and in July last year a special inquiry cleared him of the allegations. Dr Salcher, however, denied his attacks saying he had new evidence against Dr Androsch who is now once again under investigation in connection with the purchase of his villa in an exclusive Vienna suburb.

The dispute has clear political overtones. Dr Androsch was brought to prominence under the chancellorship of Dr Kreisky and was regarded as potential heir and future leader for the party. But the two men fell out over Dr Androsch's refusal to end his involvement with a tax consultancy company while he was finance minister. In 1980 Dr Androsch was replaced by Dr Salcher.

Dr Androsch is deputy chairman of the Socialist Party in Florisdorf, a Vienna working class district, and has broad support on the Right of the party while Dr Salcher, a member of the party's federal executive and deputy chairman for the Tirol, draws his support from the party's Left.

The row between the two men which at times appeared to turn into a public vendetta escalated recently when Dr Salcher decided to take Dr to court for defamation. Dr Androsch had said that Dr Salcher was motivated by "a mad drive to finish me off."

Chancellor Sinowatz has grown increasingly impatient with the affair which has near paralysed the Socialist Party's work.

Bonn backs U.S. position on SDI

WEST GERMANY yesterday welcomed the resumption of U.S.-Soviet arms talks in Geneva and backed President Reagan's refusal to halt research on the Star Wars space-based defence systems, Reuter reports from Munich.

Herr Manfred Timmermann, the deputy defence minister, said Bonn favoured the inclusion of space defence systems in the negotiations but the West must bear in mind that Moscow was already heavily involved in this field.

"As long as the military challenges posed by the Soviets are still on the increase, we have no alternative to keeping pace," he told a conference of the seven-nation Western European Union (WEU) defence pact in Munich.

Commission attacks budget cuts

BY QUENTIN PEEL IN BRUSSELS

BUDGET cuts ordered by the EEC Council of Ministers for 1986 would reduce by half, or some Ecu 700m (£400m), the money available for Spain and Portugal in their first year of Community membership, the European Commission warned yesterday.

Mr Henning Christophersen, the Budget Commissioner and former Danish Finance Minister, launched a strong attack on the present member states for agreeing to cuts which would, he said, make the new members substantial net contributors to the budget.

The exercise could result in a dangerous political backlash in Spain and Portugal, which had been led to expect a neutral financial outcome to their first years of membership, he said.

Mr Christophersen said the Budget Ministers' negotiations in Luxembourg on Tuesday and Wednesday, lasting almost 19 hours, had resulted in "more a book-keeping exercise than a real budget." He described the outcome as "quite unsatisfactory" and "difficult to understand."

The main cuts agreed by the Ministers fell on the social and regional funds—designed to finance schemes to combat unemployment and revive economically-depressed regions. Other targets were the agricultural "guidance" fund, which provides cash for retraining farmers and other measures to modernise EEC farming.

A key aim of the Budget Ministers was to prevent the European Parliament — the other arm of the EEC budgetary process—from adding too large a margin of extra spending to the Ecu 32bn draft.

However, Mr Christophersen warned that they had cut so much at their first reading, it would be impossible to put back enough money for Spain and Portugal.

The new member states are expected to contribute some Ecu 3.3bn to EEC finances. The Commission's estimates were intended to give them an equivalent amount back in the form of a budget rebate—87 per cent off their VAT contributions — and Community spending, totalling some Ecu 1.4bn.

The Budget Commissioner said the estimates for the two new members had been carefully calculated, and appealed to the Ten to correct their figures now.

The other most controversial aspect of the draft budget is the decision to maintain food aid spending at exactly the same level as this year, or about Ecu 507m (£290m).

This was attacked yesterday by Labour members of the European Parliament as "monstrous."

"The food aid freeze is a cut in real terms," Mr Alf Lomas, Labour group leader, said. "The Ministers will ensure that rich farmers stay rich, even if it means cutting help to starving people."

Paris signs co-operation agreement with Argentina

BY PAUL BETTS IN PARIS

FRANCE signed a broad economic, industrial and financial co-operation agreement yesterday with Argentina during the second day of the French state visit of President Raul Alfonsin.

The agreement was signed by the Argentine leader and M Laurent Fabius, the French Prime Minister, and involves a general declaration to co-operate in economic, industrial and financial fields. It will serve as a framework for more concrete agreements in economic co-operation.

A Franco-Argentine mixed commission will work on this agreement next year. President Alfonsin also held talks yesterday with M Georges Besse, the chairman of the French state Renault car group, which is the leading car manufacturer in Argentina.

Inspite of the current overcapacity of the Argentine car market, Renault has committed itself to continue the modernisation of its plant at Cordoba.

President Alfonsin also had discussions yesterday with a group of leading international grain traders in Paris.

The Argentine leader attacked high interest rates and protectionism in world trade which have had a severe impact on the indebtedness of Latin American countries.

President Mitterand told Sr Alfonsin that he would support all initiatives which could help bring about a negotiated solution between Argentina and London over the Falkland Islands.

French bank cuts money market intervention rate

BY OUR PARIS STAFF

The Banque de France lowered its money market intervention rate yesterday by a quarter percentage point to 9⅝ per cent from 9⅞ per cent in what is generally seen as a signal to French commercial banks to lower their base lending rates.

The latest cut in the Banque de France intervention rate reflects the Government's overall efforts to bring down domestic interest rates to help stimulate the economy and take advantage of disinflation.

M Pierre Beregovoy, the Finance and Economy Minister, again called for a lowering of interest rates during the presentation of the Government's 1986 budget on Wednesday. The Banque de France intervention rate had stood at 9⅞ per cent since last July.

Although the commercial banks are now expected to follow the lead given by the Banque de France, they have been reluctant to lower their rates claiming that the introduction of commercial paper and other reforms of the domestic financial markets have cut into their margins.

The lowering of the central bank intervention rate follows good August retail price inflation and trade figures. The trade balance showed a slim surplus of FFr 4m (£2.17m) last month while retail prices rose by only 0.1 per cent. At the same time, the French franc has continued to perform satisfactorily on foreign exchange markets.

Polish economist attacks plans for steel industry

BY CHRISTOPHER BOBINSKI IN WARSAW

ONE OF Poland's best known economists, Professor Jan Mujzel, has charged that the Steel Ministry plans to centralise decision-making throughout the industry are aimed at undermining the country's economic reform.

The ministry's plans are being resisted by a handful of elected workers' co-management councils including the one at the Warsaw Steel Works which voted unanimously on Wednesday against the scheme.

The Steel Minister is planning to establish an "iron and steel community" which would in effect merge about 60 steel mills and related companies effectively widening out company independence which is a crucial element of the reform in the steel industry.

By law, the workers' councils which came into being as part of the reforms, are required to approve any changes in company status. Prof Mujzel has warned that the "community" once established will wield enormous power in its relations with consumers and suppliers as well as the Government as a whole.

Prof Mujzel argues that the "communities" monopolistic structure would favour continuing high costs and low quality, while its political muscle would permit it to force the Government to cover resulting losses.

Soviet oil production falls as gas output rises by 10%

BY PATRICK COCKBURN IN MOSCOW

SOVIET oil production was 4 per cent down in the first eight months of the year but gas output was up by 10 per cent compared to the same period in 1984, according to the weekly economic gazette.

For the first time since the beginning of 1982, the Soviet Union published no figures for overall industrial production and productivity last month. This implies the figures were bad.

Oil production at 396m tons shows that the lag in production, originally explained by bad weather at the start of the year, is continuing. There is also no sign of an increase in oil exports to make up for the lost earnings in the winter.

The position of the oil industry is of continuing concern to the Politburo, particularly in Tyumen province in West Siberia

During a visit to Tyumen earlier this month, Mr Mikhail Gorbachev, the Soviet leader, said he "was staggered to see how much has been done any old how in Tyumen province, up to now on the principle 'we'll muddle through somehow,' but we are not muddling through."

The coal industry, on the other hand, has started to perform somewhat better. Up to the end of August, 484m tons were mined, a 1 per cent increase on the same period in 1984.

Turkey's economy 'impresses' IMF

BY DAVID BARCHARD IN ANKARA

TURKEY will announce a detailed monetary programme in the next few months, a Central Bank official said yesterday.

He was speaking as the third round of talks this year between Turkey and the International Monetary Fund (IMF) ended in a low-key but friendly fashion. Outside observers said the fund would depart this weekend relatively impressed by what it had seen.

The Central Bank official said the IMF had been happy with Turkey's economic performance so far in 1985. However, it had raised some technical questions about the decline in the velocity of the money supply and expressed anxiety about possible excess liquidity.

"The fund warned the Central Bank to be cautious in reducing interest rates and we said we would," he added.

Turkey is anxious to show it is listening to IMF advice over such matters as the budget deficit, thought to be the major source of inflation, which is still running at more than 40 per cent.

In spite of opposition scepticism, the Government expects the budget deficit to be well down this year – around 2 per cent of GNP, compared to just under 5 per cent in 1984.

Greece 'must reduce size of merchant fleet'

ATHENS – Greece must reduce the size of its merchant fleet, the EEC's largest, because of a worldwide shipping tonnage excess, EEC Transportation experts said yesterday.

"Greece must give up a little excess capacity, given a 30 to 35 per cent world excess," Mr Corstiaan Bos, chairman of an EEC study group on maritime transportation policy, said at the end of a two day meeting here.

A total of 334 Greek-owned ships, about 20 per cent of total Greek-registered tonnage, are laid up off Athens' port of Piraeus in the longest running crisis ever to affect Greek shipping.

"The Greek fleet has come down from 36.8m tons to 32m tons, and must now find a level of tonnage that will be profitable. That may be 25, 28 or 30 million tons," he said.

The study group will make recommendations for EEC ministers to take decisions on maritime transportation policy by the end of the year, Mr Bos said.

He said American and other foreign banks have loaned $2bn to Greek shippers.

"Now the big banks are losing money. It's difficult for shipowners to exploit these ships because they have to make payments to the banks" Mr Bos said.

According to Piraeus shipping sources, banks have already lost more than $300m on bad loans to Greek shipping companies.

AP

Brandt ends Honecker boycott

By Leslie Colitt in East Berlin

ELEVEN YEARS after former West German Chancellor Willy Brandt's aide Herr Guenther Guillaume was exposed as an East German spy, Herr Brandt yesterday shook hands for the first time with East Germany's leader Herr Erich Honecker.

Herr Brandt, as chairman of the opposition Social Democrat Party (SPD), had refused until now to pay an official visit to East Germany. He held Herr Honecker ultimately responsible for planting the agent and thus for his own resignation as Chancellor.

The meeting in East Berlin illustrated how relative espionage is in a country torn between the two great blocs. As Herr Honecker shook hands with Herr Brandt, wishing him a "hearty welcome," the Bonn Government was reeling from the discovery that a secretary in Chancellor Helmut Kohl's office had fled to East Germany with her husband.

The latest incident came after the defection to East Berlin last month of a top counter-espionage official, Herr Hans-Joachim Tiedge.

He joined Herr Guenther Guillaume, who now lives in a villa outside East Berlin after serving six years of a 13-year sentence in the West before he was released in an East-west spy exchange.

In a gesture normally reserved for heads of state, Herr Honecker greeted his guest at the entrance to the Council of State building on Marx-Engels Platz. The two men discussed questions of European security including the deployment of new missiles in East and West Germany over which both the SPD and East Germany have expressed their concern.

Herr Brandt, whose Ostpolitik in the early 1970s led to the establishment of official relations between East Berlin and Bonn, is believed to have urged the East German leader to permit more East Germans to visit West Germany.

On his arrival on Wednesday, Herr Brandt was taken on a tour of the Museum for German History on Unter den Linden Boulevard. He was shown an issue of the Communist Party newspaper Red Flag of 1936 which contained Herr Brandt's signature under an appeal by his Socialist Workers' Party and other left-wing parties against Hitler. On leaving the exhibit, Herr Brandt write in the guest book: "German history—it does exist."

Greeks protest to USSR over spy arrests

By Andriana Ierodiaconou in Athens

THE GREEK Government has protested to the Soviet Union following the arrest in Athens this week of two electronic engineers and a naval officer on charges of spying for Moscow, but says it does not expect bilateral relations to be affected by the espionage case.

A Greek Government official said yesterday that the protest was made by Mr George Vandalis, the director of the Eastern European desk at the Foreign Ministry, to Mr Vladimir Pushkin, the chargé d'affaires at the Soviet Embassy in Athens on Wednesday

The government announced on the same evening that three Greeks had been arrested as suspected Soviet spies — two computer engineers employed in the private sector and a navy lieutenant commander who had been serving in the records department of the Naval command until the middle of last month.

The Government has not disclosed whether, as has been widely speculated, the arrests are linked to information of Soviet espionage activity in Greece, reportedly supplied by Mr Sergei Bokhan, a first secretary at the Soviet embassy in Athens who defected to the U.S. on May 30.

The Pentagon is delaying the approval of an export licence for the sale of 40 F16 fighter aircraft to Greece, reportedly due to concern aroused by Mr Bokhan's revelations regarding the transfer of military technology to the Soviet Union.

A team of U.S. officials is expected in Athens later this month to examine the issue with the Greek Government, with a view to signing an agreement to safeguard the security of military technology.

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Laura Raun in Amsterdam assesses opposition to Prime Minister Lubbers' fragile administration

Budget boosts Dutch coalition's flagging political fortunes

THE Dutch Christian-Democrat-Liberal coalition may have raised its chances of continuing in office after next year's election following presentation this week of its 1986 budget.

It is an appealing budget which, after three years of deep austerity programmes could well convince voters that their painful sacrifices have been worthwhile.

Mr Ruud Lubbers, the Prime Minister, smilingly conceded that the softer budget was aimed at recapturing the public support lost to the opposition Labour Party since the last election. But he emphasised that the improved health of public finances and the economy provides safe room for relaxation of the retrenchment that has marked his administration.

Government spending is to be cut by Fl 8bn and the budget deficit to be shrunk by a modest 0.2 percentage point to 7.8 per cent of the national income (NNI) next year, the mildest reductions of the administration's four-year term. The welfare system, public employees and ministry budgets again will come under the knife.

But more important for the May, 1986, elections, taxpayers are to see their disposable incomes climb as much as 2½ per cent because of trimmed social-security contributions and falling inflation, the biggest spurt in seven years.

Mr Bert de Vries, the parliamentary leader of the Christian Democrats, summed it up in a recent interview. "We think it will be clear by the end of this term in office that, in many respects, our economic position has been strengthened. This gives us a good opportunity to explain why we took the measures and to convince the people that it was worthwhile."

Recent opinion polls have shown that centrist Christian Democrats recovering from a nadir some months ago. According to a poll, their weakness is with their coalition partners, the right-of-centre Liberals, whose seat losses are projected at nine.

Labour would gain 11 seats compared with the last elections in 1982. While that would keep the socialists as the largest group, their strength has ebbed from several months ago.

The Christian Democrats have several trumps in their campaign hand, not the least of which is Mr Lubbers, who virtually is certain to head his party's candidates list, which will be determined at a party gathering on October 25-26.

A savvy and popular politician, Mr Lubbers has been able to rule as the head of an austerity-minded Government and yet deflect much of the fall out from himself. The former businessman also has deftly played off one political group against another and is considered adept at media politics.

Ruud Lubbers . . . trying a softer approach

The Dutch Opposition Labour Party scored the best in the first provincial council election held in the new province of Flevoland, a polder, that was reclaimed from the former Zuyder Zee.

The Labourites won 34 per cent of the vote on Wednesday's election to choose a 39 member provincial council, a modest gain over the 30 per cent in the last parliamentary elections in Flevoland in 1982. The Christian Democrats, the senior partners in the governing coalition, followed in second place with 25 per cent of the vote, the same share as three years ago.

The right-of-centre Liberals, the junior coalition partners, slumped to 17 per cent, from 23 per cent. The provincial vote generally confirmed the national trends seen in recent public opinion polls, although all three major parties fell slightly below their showings in the polls.

The main reason is that the small left- and right-wing parties garnered more votes including the controversial extreme nationalist Central Party.

Commenting on the election results, Mr Max van den Berg, the Labour Party chairman, said the voting showed that the May 1986 general election, would be a "neck and neck race" between his party and the coalition partners, primarily the Christian Democrats.

Tradition also is on the side of the Christian Democrats, an amalgamation of three Protestant and Roman Catholic parties that individually or together have been in every government since World War Two.

The Christian Democrats would prefer to continue with the Liberals for another four years but, with a bland campaign platform, have left the door open to the Labourites.

For 1987-90 the party promises to protect welfare benefits and civil servants' wages—the areas hit hardest by the austerity policies of past years.

Government spending cuts of Fl 11bn would be only one-third of those during this cabinet although, the budget deficit would be further cut to 5¼ per cent of NNI by 1990. Persistently high unemployment, now running at about 16 per cent, would be battled through work-time shortening and job-sharing.

Their junior coalition partners, the Liberals have been troubled by the controversies that have swirled around Mr Gijs van Aardenne, the Liberal Economics Minister, and Mr Ed Nijpels, the young brash party leader. Mr van Aardenne has survived two censure motions in the past year centring on his role in the collapse of Rijn-Schelde-Verolme, the state-aided shipbuilder, and his role in attempting to hasten a public-hearing process for two new nuclear plants.

In 1982 Mr Nijpels was credited with ushering in a new era of "personality politics" after having drawn an unprecedented number of young, white collar voters into the Liberal ranks with his "can-do" message and candid style. Many party old-liners, however, have been affronted by his breezy manner, with one colleague dubbing Mr Nijpels a "young pup."

Despite weakness in the polls, the 35-year-old parliamentary floor leader is confident of continued support from the young (under 35) voters who catapulted his party to record gains in 1982.

Whether Mr Nijpels' name again will top the Liberal ticket is less certain. When party members gather tomorrow, the young lawyer is expected to encounter opposition.

The liberals want to accelerate initiatives begun this term. The role of central government would be rolled back further with much deeper spending cuts urged than by the Christian Democrats or Labourites. Privatisation of state holdings, would be speeded.

The most attractive proposal may be that which promises greater income differences between the lower income groups and the highest. The upper middle-income people make on average only Fl29 a day more than the lowest income. The Liberals want to widen that gap by trimming the onerous taxes and social security contributions by 1 per cent of NNI a year.

Meanwhile, Labour already is pondering its own coalition options, what is not in doubt is that some kind of coalition must be formed as every post-war government has been formed of two or more of the 22 political parties.

The Labourites already have ruled out alliance with small leftist parties, thus leaving the Christian Democrats as the only realistic choice. But nasty memories of a 1982 coalition divorce linger, and diametrically opposed positions on nuclear missiles remain an obstacle.

Labour adamantly opposes the siting of the U.S. Cruise and Pershing-2 missiles on Dutch soil, which is likely to be approved by parliament in November. The Christian Democrats seem grudgingly resigned to the missiles because of the 1979 Nato Pact assinging them to Holland. However, the two parties well may find it politically possible to negotiate after the parliamentary vote and general elections.

The Labour Party's posture is based on a toned-down platform and the choice of Mr Joop Den Uyl to head the election ticket. The 66-year-old former Prime Minister will lead his party for the seventh time.

The Labour programme generally would loosen the budget deficit between 1987 and 1990 and the wealthy would be subjected to even higher taxes.

But Labour is also calling for a Fl 8bn government investment programme to buoy the private sector. "We must talk to the employers. We can't make it with the unions alone," one party official explained.

Nigerians reluctant to take IMF's bitter remedy

Lagos faces a tough battle to win support for the reopening of talks with the Fund. Patti Waldmeir reports

"*Down* with IMF loan" . . . "Banker says resist IMF pressure" . . . "Students say no to IMF loan" . . . "Nigeria's sovereignty at risk" . . .

THE HEADLINES in Nigeria's vociferous Press in the weeks since Maj.-Gen. Ibrahim Babangida *took power in an August* 27 coup and pledged to break 2½ years of deadlock in negotiations with the International Monetary Fund (IMF) leave little doubt as to where most Nigerians stand on this vexed issue.

From Lago's teeming markets to its plush executive suites, mention of the IMF's *reported* demands for a large devaluation of the naira, the abolition of domestic petroleum subsidies, *and the liberalisation of* trade, rouses high passions. Viewed by some as a neo-imperialist monster, and by many more as an unsympathetic schoolmaster, most people clearly oppose the Fund and its prescription for economic recovery.

The Babangida Government has sent strong signals from the *beginning however*, that it favours the conclusion of a Fund programme which would open the door to several billion dollars in new aid and commer*cial funds and guarantee* relief from debt service payments. These now consume a crippling 44 per cent of export earnings.

Dependent on crude oil for 95 per cent of export earnings, the economy has been hard hit by falling oil prices and production since the early 1980s and by the bunching of repayments due on loans contracted five or six years earlier. Capital projects have been drastically cut as a result, imports *have been slashed, and* major redundancies have resulted as import-dependent industries have shut down.

Government officials concede that the new regime faces a major public relations battle to overcome 20 months of anti-IMF rhetoric from the regime *of ousted head of state* Maj-Gen Muhammadu Buhari, and that of civilian President Shehu Shargari before him. It will *not be helped by the strongly* negative image of the Fund on a continent where it can point to few clear-cut successes for its adjustment policies. The battle *could have serious* implications for the new regime's stability, but so far, the Government's publicity campaign on the issue appears *to have barely got off the ground.*

The campaign was launched with the new President's maiden speech to the nation on the *day* of the coup. The speech *pledged a new* initiative on blocked negotiations with the Fund, and its wording reflected careful drafting by *officials* conversant with the policies and language of the international financial institutions. "Austerity without structural adjustment is not the solution to our economic predicament." Gen Babangida said.

The Government's side in the debate will have been streng*thened by the appointment* as Finance Minister 10 days ago of former World Bank economist Dr Kalu Kalu, considered *one of the Fund's most* articulate apologists in Nigeria. The creation of a high-powered committee of Nigerian businessmen, bankers academics and civil servants charged with organising public debates on the IMF and stimulating the publication of "informed" articles *should also allow the* Government to play a more active role.

The debate, has so far been dominated by opponents of the IMF who have filled the columns *of Lagos's* numerous newspapers with sometimes vitriolic, often highly emotional attacks on the Fund.

For many, resisting IMF pres*sure for reform* has become a symbol of independence *from* economic domination by the West. In the words of the new Finance Minister, the issue is being treated as a "macho matter."

Many opponents of a Fund programme base their resistance on one of *the following four platforms, they* argue that:

● Devaluation of the naira (a key Fund condition), which currently trades at around ¼ of *its official value on* the black market, coupled with cuts in domestic petroleum subsidies, would lead to a sharp rise in food prices.

The pro-IMF lobby argues that increasing supply perhaps through building up a pipeline of essential goods to release on *to the market* at the time of devaluation, would dampen the inflationary impact. But bankers and some Government officials doubt that financing and *logistics for such an operation* could be organised for a nation of perhaps 100m people.

The political risk of a sharp and unexpected rise in basic *goods prices is clearly pre-occu*pying the Government. But the new *President is believed to be resigned to the need to* devalue.

● *Powerful vested interests* would be damaged by a devaluation, which would wipe out gains available to businessmen *who import goods at the* artificially depressed official rate of the naira, and sell them on the black market at a huge *mark-up. It is a constituency* with considerable political clout.

● The Government has insufficient resources of com*petent and honest policymakers* to ensure that new funds attracted by the IMF stamp of approval would be used widely. Central bank estimates put expected new funds at between \$1bn and \$1.5bn in structural adjustment loans from the World Bank over three years, \$2.4bn in IMF *lending over the* period, and as much as \$1bn in new commercial bank lending per year.

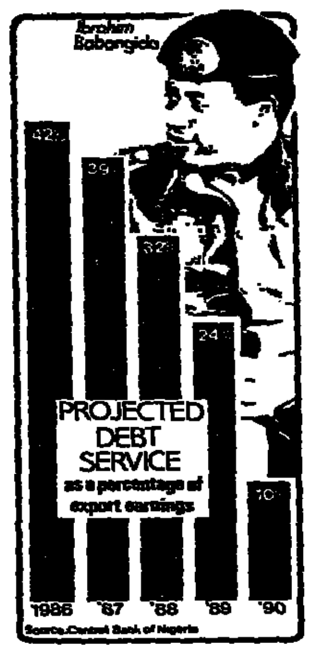
They expect between \$2bn and \$3bn in new *credits from* Western export agencies, which would be expected to resume medium-term cover for Nigeria once an *IMF* agreement had cleared the way for rescheduling some \$2bn in arrears to these creditors. Rescheduling of \$12bn in medium- and long-term *debt would free further* resources from debt servicing.

● In view of the above, they *argue the "muddle-through"* policy of Gen Buhari, which led to massive redundancies and a severe slow-down in economic activity, was nevertheless the wisest policy. Its central plank was a determination to live within Nigeria's foreign *exchange means*.

Gen Buhari can claim *major* success *in restoring* financial discipline to Government accounts which had gone haywire, *but the policy* was based *on two* essentially shaky suppositions, according to bankers. They were that Nigeria could sell enough oil through barter *trade to keep the wheels of* industry turning, and that creditors owed several billion dollars in trade arrears would *consent to what amounts to a* borderline default by Lagos in issuing promised notes to cover these debts (only \$1.1bn-worth *have been issued so far*).

By the time of the takeover, *some* \$2bn in *counter-trade* deals agreed by the old regime were in serious trouble and the slow issuance of notes to creditors, coupled with *fears* that many claims might never be honoured, was seriously damaging Nigeria's reputation as a reliable trading partner.

Government officials are confident that the current campaign *of "re-education" will* eventually persuade Nigerians that whatever the drawbacks and dangers of a programme of IMF-inspired economic reforms, the alternatives are even less palatable. Continued austerity *without adjustment, they argue*, might allow the country to get by without a full-scale default on its debt payments, but would leave the *underlying structural* imbalances of the oil-dependent economy untouched.



'Significant' oil find in Nigeria

By Richard Johns

PAN OCEAN Oil Company has announced an oil discovery 100 miles east of Lagos which, it believes, "could be one of the most significant i Nigeria during the last five years."

The Geneva-registered private company, the operator in a joint venture with the Nigerian National Petroleum Corporation, said yesterday that the second well drilled into the Asaboro structure had yielded a total of about 7,200 barrels a *day from three zones*.

The flow from the first had been 3,600 b/d of 51 degree API gravity crude, 1,690 b/d of 45 degree from the second and 1,900 b/d *of 53 degree from the* third.

Dr Vittorio Fabbri, chairman and chief executive who is also believed to be sole owner of the company, is meeting Dr Tom David-West, Nigerian Minister of Oil and Energy, next week to discuss further investment.

The company refused all further *comment* about the development. Pan Ocean has a 40 per cent stake in a concession in Bendel state in Nigeria.

Currently Pan Ocean is selling 150,000 b/d of Nigerian crude to Shell

Botha bid to defuse Mozambique row

BY ANTHONY ROBINSON IN JOHANNESBURG

MR PIK BOTHA, the South African Foreign Minister, *flew to Komatiboord on the Mozam*bique border yesterday to try to defuse the row over Pretoria's continuing support for Mozambican national resistence (MNR) rebels.

The border meeting took place as President Samora Machel of Mozambique met President Reagan and top U.S. officials in Washington.

Mr Botha presented the Mozambican delegation headed by Mr Oscar Monteiro, Minister of Internal Affairs, and Mr Sergio Vieira, Minister of Security, with the findings of a South African inquiry which confirmed Mozambican allegations of continuing contacts between Pretoria and the MNR.

At the same time, however, he laid counter charges about the presence, *forbidden under the Nkomah accord* between the two countries, of African National Congress (ANC) personnel in Mozambique. He also gave details about ANC members *allegedly arrested. after* leaving Mozambican territory.

Under the March 1984 accord South Africa undertook to stop supporting the MNR and Mozambique agreed to expel ANC cadres and not allow the organisation to operate against South Africa from Mozambican territory.

Yesterday's meeting was the sequel to talks last weekend in Maputo *when* President Machel presented Mr Botha with evidence of continuing South African contacts and support for the MNR.

The evidence of continuing South African involvement was recorded in a diary kept by a senior MNR official captured when *Zimbabwean* troops recently *overran* an MNR base.

According to the diary, Mr Louis Nel, the former Deputy Minister of Foreign Affairs, recently transferred to a new post, of Deputy Minister of Information, made three clandestine visits to the base.

This was confirmed by Mr Botha, who also confirmed that the South African defence force had set up radio communications with *the MNR and had* provided assistance to build an airstrip.

The air force had also made supply drops of "mostly humanitarian aid"

Mr Botha added that the movement *of MNR personnel* was *connected* with diplomatic efforts by Pretoria to re-establish peace talks between the Frelimo Government and the MNR which collapsed last October.

"On the face of it the Nkomati accord was violated, but it is important that President Machel did not allege that the South African Government *contravened it*," Mr Botha said.

General Magnus Malan, the Minister of Defence, added that the Frelimo Government had been aware of South African contacts with the MNR but that their attitude had been "don't both us wit htechnicalities, just get the MNR to come to us for peace talks."

Americans demand release of Boesak

By Our Johannesburg Correspondent

EIGHT PROMINENT Americans, including Mr Cyrus Vance, a former U.S. Secretary of State and the presidents of Harvard and Yale Universities, yesterday called on the South African Government to release Dr Allan Boesak.

Dr Boesak, a patron of the United Democratic Front (UDF) and president of the World Alliance of Reformed Churches was arrested on August 27 at a roadblock after announcing plans for a proposed march on Pollsmoor prison in support of Mr Nelson Mandela, the jailed African National Congress leader.

The march was violently broken up by police using whips, shotguns and dogs and has been followed by three weeks of almost continuous unrest in black townships, schools and university campuses throughout the Western Cape.

The statement issued in Cape Town by the eight Americans said that the consequences of imprisoning Dr Boesak are "rapidly becom*ing very grave" but that his release, if followed* by the release of all other political prisoners and by prompt and serious negotiations with black leaders, could help defuse the crisis.

The statement drew attention to the fact that no charges have yet been brought against Dr Boesak. Meanwhile Dr Boesak's lawyers have given notice that they intended to bring an urgent application for his release before the Cape *Town supreme court* next week.

These legal moves followed a successful application in the Durban supreme court last week which secured the release of Mr Paddy Kearney, director of Diakonia, an inter-denominational Christian Association.

Mr Justice Leon ruled that his detention was illegal. Lawyers for Dr Boesak will ask for his release on *similar grounds that the police* abused their powers in terms of Section 29 of the Internal Security Act which provides for indefinite detention without trial.

If successful the Boesak application is expected to be followed by similar actions on behalf of other detainees.

The release of Dr Boesak was also one of the demands made yesterday by over 3,000 marchers from the University of the Western Cape led by the rector, Professor Richard van der Ross.

The march was met by police at the university gates and people were told to disperse. The crowd dispersed peacefully *but thousands marched across* the campus *later* in defiance of the ban on the march

Meanwhile allegations of extreme police brutality in the township of Elsies River, where two children were killed on Tuesday, are being investigated by the police and local MP's who toured the area yesterday.

Two Koreans killed in tanker raid

TEHRAN – Two Korean sailors were killed when Iraqi planes set fire to their oil tanker in the northern Gulf yesterday, the Iranian newsagency Irna reported.

"The sailors were killed in a fire that resulted *from the attack*," the agency said.

Irna identified the vessel as the "San Bung" and said it was hit west of Iran's main Kharg Island oil export terminal.

Other crew members were rescued, the agency said in a report from the Gulf port of Bushehr, south-east of Kharg. Reuter

Seoul MPs appear in court

BY STEVEN B. BUTLER IN SEOUL

TWO opposition party members of the Korean National Assembly have been charged in Seoul following an anti-government demonstration on the campus of Korea University last week.

The official indictment is expected to increase tensions which have been growing over the affair. Clashes between the ruling and opposition parties over the incident are threatening to disrupt today's opening of the regular session of the National Assembly.

The two members, Mr Park Chan-Jong and Mr Chough Soon-Hyung, attempted to enter the campus of Korea University last week when students had gathered for a large political "debate" *that later turned into* an anti-government *demonstration*.

Police prevented the two men from entering the campus. They then chanted anti-government slogans in a small group outside the university gates. Mr Park is also accused of passing a "message" to the students that police say incited them to violence.

The two men have said they were merely exercising their obligation as legislators to investigate students views and activities. They have called *for investigation* of the Home Minister for what they say was illegal action on the part of the police.

The men ignored two summonses to appear before the prosecutor.

The ruling party is using the affair to discredit the opposition by attempting to link the opposition and radical students.

Egypt to cut back foreign borrowing

BY TONY WALKER IN CAIRO

PRESIDENT Hosni Mubarak of Egypt has instructed government authorities to stop foreign borrowing except for what he described as "productive projects which are able to compensate for themselves."

Egypt's president, *in* a nationally *televised* address on Wednesday before leaving for Europe and the U.S., spoke of the budgetary constraints under which his Government is operating and called for restraint in borrowing.

The International Monetary Fund has estimated that Egypt's external debt stands at \$31bn. Bankers are reporting that Egypt is in arrears on *a number of its commitments* and there is concern about its financial position.

Arrears on its military debts to the U.S. are in the order of \$350m. Egypt is also believed to be in arrears on military debt payments to the French.

WORLD TRADE NEWS

Britain defends 'ban' on export of oil to Israel

BY RAYMOND HUGHES IN LUXEMBOURG

THE UK yesterday defended in the European Court in Luxembourg its North Sea oil exporting policy, which effectively bans sales to Israel.

Mr John Laws, a Government lawyer, denied that the policy, introduced in 1979 by Mr Tony Benn, then the Energy Secretary, and maintained by succeeding governments, was invalid under Common Market law.

It breached neither the EEC's common rules for exports nor the free trade agreement between the EEC and Israel, claimed Mr Laws.

He said that the policy, which permitted North Sea crude to be exported only to EEC states, the International Energy Agency, and other countries with which in 1979 there was an "existing pattern of trade," had been a response to the potentially serious situation created by the Iranian crisis.

There had been a risk of severe disruption to oil supplies and the UK had acted in the interests of its Community partners to protect existing patterns.

The policy had since been maintained because, although there was currently no oil shortage, the opening up of additional patterns of trade could have adverse effects in the event of a future shortage.

Mr Laws observed that none of the UK's Community partners had objected to the policy, which, he suggested, was wholly compatible with the UK's EEC obligations.

The European court has been asked by the English High Court for a preliminary ruling on the applicability of EEC law to the policy in the context of a dispute in England between oil companies. Its decision is not expected until next year.

In 1981, Sun International, a Bermudan company, and Sun Oil Trading, of the U.S., contracted to sell North Sea crude to a Swiss oil trader, Bulk Oil.

The contract included the stipulation, "destination free, but always in line with exporting country's government policy."

Shipment at the Sullom Voe terminal operated by British Petroleum was stopped when it was learned that Bulk intended the oil for Israel, which, it was claimed, would infringe the UK policy.

After an arbitration at which Sun was awarded nearly $15m in damages and interest for Bulk's breach of the destination clause, the dispute went on an appeal by Bulk to the High Court, which sought guidance from the European court on whether the policy was valid under EEC law and could be relied upon by Sun.

Yesterday, Bulk argued that the 1975 EEC-Israel free trade agreement covered both imports and exports and included trade in crude oil.

The company, which argues that the pre-existence of the 1975 agreement invalidated the UK policy, asserted that the ban on oil exports to Israel was "likely to jeopardise the attainment of the objectives of the agreement."

The UK, backed by Sun and the European Commission, contended that the EEC-Israel agreement banned only restrictions on imports and contained no provision prohibiting export restrictions.

Sun and the Government went further and argued that the agreement did not apply to oil.

Bulk said that the 1969 common export rules precluded a member state from adopting a policy banning exports to certain non-member countries, including Israel.

A provision excluding certain products, including oil, from the rules did not mean that new restrictions on the export of excluded products could be introduced without Community approval, Bulk claimed.

The UK, Sun and the Commission replied that the rules permitted a country which had previously imposed restrictions on exports of excluded products to alter those restrictions and adopt new ones.

Further, they said, in 1982 an amending EEC regulation, intended to clarify the 1969 rules, had provided that the principle of freedom of export from the Community should not apply, for all member states, to crude oil.

Mr Jeremy Lever, QC, for Bulk, told the court that the case raised a crucial question involving the powers of the Community and member states in the field of external commercial policy

Japanese take EEC dumping row to court

By Our Brussels Staff

Four Japanese electronic typewriter manufacturers have taken their struggle against the imposition of anti-dumping duties on their products by the EEC to the European Court of Justice.

Brother, Canon, Silver Seiko and Tokyo Electric want the duties—35 per cent for Canon, 21 per cent for the others—cancelled. Brother is claiming damages and the other companies want an interim injunction lifting the duties until a final judgement is made.

The Court will rule on the demand for an interim injunction next month.

Although the eventual judgment is likely to be based on technical grounds related to the way the European Commission established and assessed dumping margins, the action of the companies collides with a developing anti-Japan political tendency in the EEC.

A school of thought arguing that any weapons to hand should be used to combat the rising Japanese trade surplus and enforce quicker liberalisation of the Japanese domestic market is gaining ground, officials noted.

This has found expression in the EEC Council of Minister's decision in June to impose definitive anti-dumping duties on Japanese excavators when attention was formally drawn to the state of commercial relations

Since then, the Commission has announced an anti-dumping investigation into photocopiers from Japan and is considering mounting an investigation into calculator sales.

But at the Commission there is some caution about going too far down this road. Trying to hurt Japanese exports is seen as inconsistent with the need to forge the negotiating alliances necessary to make a success of a new round of international trade liberalisation talks.

The way the Community establishes a balance between these two tendencies will be clearer over the next four months. Three commissioners are visiting Tokyo over October and November, while M Jacques Delors, the Commision President, goes to Japan for talks in January.

India sees focus on services as a diversion

John Elliott in New Delhi analyses India's attitude to the new round in this the final article in the Gatt series.

"We HAVE no objections to a new round, but the question is what to put in it," says Mr Vishwanath Pratap Singh, India's Finance and Commerce Minister, spelling out his country's opposition to the plans of the U.S. and other developed countries for a new round of multilateral trade negotiations to include services.

"Basically we want to give a political push to pending matters. How can there be a new round if there is no credibility or commitment to the last round? There is a need for reciprocity, a spirit of give and take."

Those remarks from one of India's top politicians who not only combines the finance and commerce portfolios but is also a close confidante of Mr Rajiv Gandhi, the Prime Minister, sum up the country's stance.

They will be spelt out in Geneva on September 30 when the U.S. and other developed countries try to push their cause at a special officials' meeting of the General Agreement on Tariffs and Trade (Gatt).

India belives strongly in multilateralism but will make it clear that it is totally opposed to services being included in a new Gatt round.

Basically, it would perfer to have no international agreement at all on services. There are two reasons for this. First it believes that its own services industries, such as electronics and computer software, are not sufficiently developed to withstand open competition.

Second, its financial institutions, including banks and insurance companies, have developmental roles, such as running unprofitable banks in rural areas. Foreign banks would not be prepared to take on such work.

India, however, would go along with the proposals from Brazil for a "double track" exercise, providing that involved not only separate negotiations but also a totally separate secretariat and agreement.

It is insisting on the because whatever is agreed, it seems that India would not allow free international trade and access into many of its service areas.

It wants, therefore, to isolate any services agreement from Gatt's agreements on goods in order to protect its traditional industries from being victimised.

"A Gatt agreement on services could, for example infer that a foreign bank could come and buy your banks. But if all your banks are Government-owned, as ours are, and are not up for sale, then there will be counter-pressures against you on goods, say in textiles. So, it is not only that people might try to muscle in on services but that they would feel they have a right to take reprisals in the goods areas," says Mr Singh.

India's views are firmly based. It is a proud, developin gcountry a leader of the third world, and experience has taught it to be distrustful of leading developed countries, especially the U.S.

Government officials do not believe U.S. arguments that its domestic protectionist pressures would be reduced by a new Gatt round embracing services. The officials argue instead that the U.S. wants to erode the preferential status of developing countries, reduce multilateralism, and divert attention from current Gatt issues.

With an economy that ranges from wooden-wheeled bullock carts to the latest electronics and nuclear technology, and with half of its 730m population below the poverty line, India does not believe it is inconsistent to maintain many of its own protectionist policies while deploring unilateral protectionism introduced by developed countries.

India's economy is being liberalised relatively quickly by Mr Rajiv Gandhi's Government, but this progress has sparked some opposition. There is now a political debate about how fast India ought to open up its economy to foreign trade, technology and investment.

The country's seventh five-year plan for 1985-90, approved by the planning commission this week, tries to balance demands for rural development and more jobs against the need for high-technology projects.

There is also a primary economic requirement to improve the balance of trade later in the decade when debt repayment to the International Monetary Fund climb sharply.

In addition to taking a principled stand on an issue that divides developing and developed countries, the Government is therefore obviously unwilling to agree to anything that would cause unnecessary political controversy at home or would harm its international trade.

Following the last Tokyo Gatt round, India has been unhappy about what it regards as a lack of progress on the priority work programme agreed by a ministerial level meeting of the contracting parties in 1982. The programme includes trade liberalisation for tropical products and agriculture

Indian officials complain that developed countries are adept at concentrating Gatt on matters that help their economies—such as removing duties on high technology items—at the expense of doing work on areas that would help developing countries.

Taking Gatt into the services area would, the officials argue, deflect attention from those issues which interest countries such as India.

India also fears the U.S. wants to steer it into an unknown, potentially dangerous area. "To begin with it was just an invitation into a dark room—we were asked to walk in first and then the lights would be turned on later," says Mr Singh.

"Now there's a list of services ranging from banking and insurance to funeral services and haircutting. Well, if its only hair cutting, OK, but areas like banking are part of our social policy, as well as being financial institutions.

"We do recognise that developed countries have a need for services arrangements because that is the way their economies have developed. But we have real problems and could not cope with it—though we would join in separate services talks outside Gatt. So you see, we are not negative. But there must be movement on matters pending on the Tokyo work programme on goods, and we see no sign of that at the moment."

The precious articles in ths series appeared on July 2, 12, 18, 24, August 1, 9, 14, 23 September 3 and 13.

Aero-engine group seeks 65% of medium-haul orders

BY DAVID MARSH IN PARIS

THE five-nation aircraft engine grouping, International Aero Engines (IAE), led by Pratt & Whitney of the U.S. and Rolls-Royce of Britain, hopes to win 65 per cent of the medium-thrust market to equip short- and medium-haul airliners up to the end of the century.

Mr Michael Keen, executive vice president of the consortium, which was set up formally at the end of 1984 to produce the V2500 engine, said orders up to now for the engine totalled $1.3bn.

A total of 250 engines including replacements has been sold up to now to equip the new narrow body A-320 Airbus airliner due to go into service in 1988-89.

The IAE consortium—which also includes Japan Aero Engines, Motoren und Turbinen-Union of West Germany and Fiat Aviazione of Italy—is competing with the French-U.S. Snecma/General Electric grouping to sell engines for short- and medium-haul airliners from the end of the decade.

IAE believes total expected sales between 1989 and 2004 of 120- to 180-seat airliners make available an overall market of 7,000 engines in the 18,000 to 30,000 lb class.

The engine, which is due to be produced in its first prototype form in November, has cost about $1bn to $1.5bn to develop.

Claimed to be considerably more fuel efficient than rival engines—the V2500 is seen by the IAE consortium as helping Airbus Industrie's chances of breaking on to the U.S. market.

Bechtel cuts China staff as project delayed

By David Dodwell in Hong Kong

BECHTEL, the U.S. engineering group, has had to trim its expatriate staff following indefinite postponement of contracts in mining and rail construction.

It marks a setback for the U.S. group, which in August last year set up a joint venture company, China America International Engineering, in collaboration with China's Ministry of Coal Industries, to provide engineering consultancy services in China.

The coal mine, in Zhungheer in Mongolia, was expected to produce 35m tons of coal a year. Bechtel had completed a feasibility study on the mine, and had been preparing plans for a railway to link Zhungeer with China's Pacific coast.

UK-France flights likely to increase

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A BIG increase in the number of air services between Britain and France is expected to result from a UK-French air services agreement reached this week, although fares will not change for the time being.

The agreement, effective from next summer, will permit any UK or French airline to fly to any point in the other's country. On some routes, such as London–Paris, present limits on the number of seats each side can offer will be raised.

Under existing arrangements, effective since 1953, each country has been able to offer up to 50 per cent of the agreed total of seats available on the London–Paris route.

This has meant that Air France has been able to enjoy its full 50 per cent of the London–Paris market, but the UK has had to split its ration between three airlines – British Airways (from Heathrow), British Caledonian (from Gatwick), and Air UK (from Stansted).

Under the new agreement, the British airlines can collectively offer up to 55 per cent of the total number of seats on offer. If Air France wants more, the overall total of seats will be raised to meet that desire, but with the UK airlines collectively still offering 55 per cent.

From next summer, Air France will be able to raise the number of daily flights it makes between London and Paris from eight to nine. British Airways will introduce bigger aircraft, to raise the number of seats it offers, without necessarily increasing the number of flights. British Caledonian will increase its daily flights from six to seven from Gatwick.

AMERICAN NEWS

No decision yet on radio deal, says Weinberger

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. will choose between two rival British and French battlefield communications systems on grounds of cost and effectiveness, not political considerations, Mr Caspar Weinberger, the Defence Secretary, said yesterday.

Mr Weinberger told a news conference that no final decision had been taken on the award of the $4.3bn (£3.2bn) contract for the U.S. Army, the biggest-ever to go to a foreign bidder. The two bids were still being evaluated in an independent cost study, as required by normal contract procedures, he said.

Mr Weinberger acknowledged that Mrs Margaret Thatcher, the British Prime Minister, had made a strong personal pitch for Plessey's Ptarmigan system, which is being offered in a consortium with the Rockwell International of the U.S., during a recent visit to the Pentagon.

There is a widespread belief in Washington, however, that the Frenhc Rita system, offered jointly by Thomson CSF and the GTE of the U.S. has the edge. Mr Weinberger pointed out that both systems would have 70 per cent U.S. components.

Turning to the U.S.'s ruffled relations with New Zealand, Mr Weinberger said that he hoped the two countries could return to previous arrangements under which U.S. warships called "frequently and freely" at New Zealand ports, and both governments worked together in the Anzus alliance.

He insisted, however, that the U.S. had absolutely no intention of changing its policy of refusing to disclose whether or not U.S. navy ships carried nuclear weapsons—the issue at the heart of the dispute. The row between the two countries erupted in February when New Zealand barred its ports to a U.S. destroyer.

Meanwhile, CBS News reported that Mr Eduard Shevardnadze, the Soviet Foreign Minister, would bring "new proposals aimed at breaking the arms control deadlock" when he visits Washington for talks with President Ronald Reagan at the end of next week.

U.S. personal incomes edge ahead

By Nancy Dunne in Washington

U.S. PERSONAL income grew by a sluggish 0.3 per cent in August, but that did not slow personal consumption which jumped 1.2 per cent, the U.S. Commerce Department said yesterday.

As a result, the U.S. savings rate in August fell to 2.8 per cent of disposable income, the lowest since monthly savings rates were first recorded in 1959.

Personal income increased by $9.2bn (£6.8bn) in August from July to a seasonally adjusted annual rate of £3,000bn. Personal outlays rose by $32.3bn to $2.600bn. For the first half of the year, income rose at an annual rate of 4.1 per cent, less than half the improvement of year.

Analysts said much of the consumer spending resulted from the boost to automobile purchases given by clearance-sale financing rates for 1985 models.

While the Reagan Administration is bound to interpret the figures as the beginning of a consumer-led growth in the second half, other analysts tioned the durability of buying spree, while personal income growth remained weak.

Private wages and salaries recorded healthy gains in August. Factory pay was up at an annual rate of $3.6bn, after declining in July.

Congress unlikely to pass Reagan tax plan this year

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's hopes of a speedy passage for his tax reform plans have dimmed following warnings from leaders of both the Senate and the House of Representatives that they doubt whether a tax reform Bill can pass the Congress this year.

The comments, from House Speaker Thomas (Tip) O'Neill and Senate majority leader Robert Dole, come as Republicans in the Senate and Democrats in the House are drafting trade reform legislation which is being given a higher priority than the President's tax proposals.

Underlining the strong protectionist pressures building up on Capitol Hill the House Ways and Means Committee yesterday approved the legislation which would impose quotas on textile imports.

President Reagan, in an effort to head off protectionist legislation in Congress and boost prospects for tax reform, is expected to make a statement early next week on the Administration's trade policy.

Commenting on the tax reform proposal, Mr O'Neill said: "I do not think it (tax reform) has any chance of getting through Congress this year."

Yesterday he indicated that he favoured trade legislation and did not expect the Senate to act on a tax Bill until next year.

Hostages face death threat

THE REV Benjamin Weir said yesterday that the Lebanese terrorists who held him captive for 16 months are ready to kidnap other Americans and to execute their remaining six U.S. hostages if 17 Arab prisoners in Kuwait are not released, AP reports from Washington.

"They have released me as a sign of their good intentions," Rev Weir told a news conference five days after his release. "However, they are not willing to wait much longer."

Rev Weir, a 61-year-old Presbyterian missionary, said his captors were prepared to release the other Americans if their demand for freedom for 17 accused truck bombers, who blew up parts of the U.S. embassy and other facilities in Kuwait, is met.

Bolivia declares state of siege

By Hugh O'Shaughnessy

PRESIDENT Victor Paz Estenssoro of Bolivia yesterday declared a state of siege and ordered the arrest of thousands of trade unionists as troops and armoured vehicles appeared on the streets of La Paz.

The move, which had been expected for more than a week, is an attempt to break the general strike called by the COB trade union confederation at the beginning of the month.

The COB has been protesting against the austerity measures decreed by the newly installed Paz government at the end of last month in an effort to control the country's hyperinflation.

The government froze public sector wage till the end of the year, decreed a free exchange rate, quadrupled the official price of bread and increased the price of petrol and domestic gas sevenfold and twentyfold respectively.

Sr Fernando Bartelemy, the interior minister, announced that a six-hour curfew would be in force this morning. Under a state of siege the government is empowered to banish opponents, and call up army reserves. The government has nevertheless pledged it will bring detainees before the courts within 48 hours.

Among the trade unionists arrested is Sr Juan Lechin, president of the COB.

General charged with murder

A former top Brazilian army officer, General Newton Cruz, has been charged with murder in a celebrated case involving the disappearance three years ago of a prominent right wing journalist Andrew Whitley writes from Rio de Janeiro.

The charge was brought by an investigating magistrate and not by the Government.

Sr Alexandre von Baumgarten, who had close links with the national intelligance service, died with his wife and a boatman under mysterious circumstances in 1982. Shortly after the journalist had threatened to go public with sensational revelations about the intelligence agency's alleged activity.

Gen Cruz, who was second in command of the agency at the time is accused of masterminding the death of Sr Baumgarten.

Cocaine has undermined an American sport, **Paul Taylor** reports

Baseball heroes fall from grace

AS AMERICAN popular heroes go, baseball players rank up there with astronauts, pop singers and, arguably, tax dodgers.

Their names, like that of Pete Rose, of Cincinatti major league player who last week smashed a 57-year-old record by becoming the biggest hitter of all time, are spoken with reverence in bars. Their faces adorn breakfast cereal packages and beam out on posters from every self-respecting male — and some female — junior high school student's bedroom wall.

But in the federal courthouse in Pittsburgh another story is being told—one which arguably leaves major baseball's image in disrepair and has already touched the reputations of scores of baseball stars.

On trial is a 39-year-old Philadelphia chef who once catered clubhouse meals for the Philadelphia Phillies. Mr Curtis Strong is charged with 16 counts of drug distribution between 1980 and 1984. His clients were some of baseball's best known players, men like Keith Hernandez of the New York Mets, Dale Berra of the Yankees and Dave Parker of the Cincinatti Reds, who have taken the witnes stand to tell of their cocaine use in return for the promise of immunity from prosecution.

Mr Strong is one of seven men indicted last May on charges that they sold cocaine to baseball players in Pittsburgh. Three have already pleaded guilty to various charges. As the trial proceeds every day brings new "star" witnesses, men dressed in expensive suits commanding six or seven figure salaries, who tell of their drug abuse and deliveries of the drug wrapped up in "girlie" magazines or sent to their homes by express mail.

In the process they implicate colleagues and paint a picture of a professional sport riddled with cocaine sniffers in the early 1980s.

In fact, some believe the Pittsburgh trial may just be the tip of the proverbial iceberg. In the last few years players representing nearly all the 26 major league teams have been named in connection with cocaine use in criminal trials across the country.

Estimates of the use of cocaine among players vary wildly. But one players' agent reportedly told a team owner a year ago that he could field an all-star team in both major leagues with players who use the drug.

Mr Peter Ueberroth, baseball's commissioner, while declining to estimate how many players use narcotics, has said he considers drug use the number one problem facing the sport and has warned that it could lead to its corruption by gamblers and drug dealers.

Some experts, like Dr Donald Ottenburgh, a member of baseball's joint review on drug abuse, believe that the drug problem is easing. But without any measure of the overall problem, a programme of mandatory random urine tests, already in use in the minor leagues and for baseball personnel, might help quantify the problem and lead to more effective rehabilitation and treatment. But the union representing major league players, opposes the move and has effectively stalled it.

What is clear is in major league baseball, like Hollywood and Wall Street which have also been swept by periodic reports of widespread drug abuse, pay salaries sufficient to support a cocaine habit.

The Pittsburgh trial has already evoked strong emotions and some criticism from defence lawyers and others that players have been given preferential treatment in being granted immunity because of their status.

Mr Adam Renfroe, Mr Strong's street-smart 35-year-old attorney, has charged that witnesses were granted immunity to shift attention from the players' illegal use and distribution of cocaine. U.S. District Attorney J. Alan Johnson, Mr Strong's prosecutor, counters that the pledge of immunity was necessary in order to persuade players to testify at all.

Many in the game hope the Pittsburgh baseball cocaine scandal will just "blow away" and that the public's memory will be short. But others are not so sure. So far the names of 30 players have emerged in the trial including some of baseball's best men who have admitted using drugs while they were helping their teams win titles.

In his opening remarks to the jury, Mr James Ross, the assistant U.S. attorney, insisted that "major league baseball is not on trial here." It may not be, but as Commissioner Ueberroth knows, the sport's reputation is.

Argentina lauds Kinnock stance

BY JIMMY BURNS IN BUENOS AIRES

THE ARGENTINE Government is heralding Wednesday's Paris meeting between President Raul Alfonsin and Mr Neil Kinnock, the British Opposition leader, as a significant diplomatic coup in the run up to the United Nations General Assembly debate on the Falklands issue expected before Christmas.

Argentine political correspondents reported yesterday that Mr Kinnock's agreement, to meet President Alfonsin on the basis of a broad agenda including sovereignty was confirmation that a significant sector of British public opinion dissented with Prime Minister Margaret Thatcher's hardline position.

A joint communique issued by the two leaders in Paris called for the restoration of full diplomatic and commercial relations and a resumption of negotiations "on all aspects of the Falklands-Malvinas issue." In a subsequent press conference Mr Kinnock conceded that sovereignty could be included in future talks.

The greater emphasis given in the communique to safeguarding the way of life of the Falklands inhabitants is being singled out here as evidence that constructiveness and flexibility is possible on the Falklands issue.

Mexico bans imports of luxury goods

THE Mexican Government yesterday prohibited the import of 311 luxury items in another attempt to conserve badly needed foreign exchange, AP reports from Mexico City.

The ban on luxury goods, among them wines, perfumes, china and electrical appliances, has come just weeks after the Government had eliminated some commercial barriers to foreign products.

The Commerce Department said that "exceptions will be authorised only when the merchandise that is intended to be introduced to the country is not produced in Mexico and proves strictly necessary to carry out industrial activities, investigation and education or is required to be used in programmes for exports or the tourism sector."

Included on the list are several types of cheese, Christmas trees, nuts, prunes, coffee, prepared meats, caviar, sweets, ollves and dried fruits.

Buenos Aires to clear interest arrears

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA is soon to pay a further $900m (£666m) in overdue interest to its commercial bank creditors bringing payments up to date as of the start of this month, Citibank announced in New York yesterday.

This follows the completion of signing formalities for its $4.2bn loan from bank creditors which is now also fully subscribed. The loan agreement has now become effective allowing a first draw down of $2.2bn by the end of the month.

Argentina will also use this drawing to repay the $750m balance of a $1.1bn bridging loan granted by bank creditors in 1982 and whose maturity has since been repeatedly extended, Citibank said.

Its announcement brings to an end the syndication process of the $4.2bn credit which was launched as part of a major debt rescheduling exercise last December. A few subscriptions to the credit are still flowing in with the result that it could end up marginally oversubscribed.

New international federation of miners provokes union storm

BY IVO DAWNAY AND JOHN LLOYD

MR ARTHUR SCARGILL, president of the National Union of Mineworkers (NUM) will this weekend see the creation of a new international federation for mineworkers for which he has striven since taking national office in 1982.

Letters from Mr Scargill and M Augustin Dufresne, general secretary of the miners' section of the Confédération Générale du Travail – the main, communist-led French union – have invited mining unions from all over the world to attend an "historic" conference in Paris, beginning tomorrow. It is aimed at founding the International Federation of Mine and Energy Workers (IFMEW).

The move is provoking a storm in international trade union circles. The British NUM is the only major Western union to affiliate to what will be a group numerically dominated by mining unions from communist countries, with some Third World unions also joining.

Officials of the International Confederation of Free Trade Unions (ICFTU), the Western countries' international union body, say that the Paris congress this weekend will allow the miners' section of the World Federation of Trade Unions (WFTU) – the ICFTU's rival in communist countries – to move from its present Warsaw base to establish a foothold in Paris.

Arthur Scargill: called Paris conference

The IFMEW is likely to seek affiliation from the South African National Union of Mineworkers – prestigious prize for either side. However, officials of the Mineworkers International Federation – the ICFTU mineworkers' affiliate – believe that their links with the South African NUM will keep it in the western camp.

Nevertheless, there is clear disquiet that the new federation could become a permanent feature on the world's political landscape. According to ICFTU officials, Mr Scargill's visit to Moscow earlier this month was aimed at finalising details with Mr Mikhail Srebny, the Soviet miner's union chairman. The WFTU's miners' international administrative committee will meet in Paris at the same time as the IFMEW, and is expected to join *en masse*.

In an effort to quash any attempt by the new organisation to establish its headquarters in Paris, Force Ouvrière (FO), the centrist union confederation, has written to President François Mitterrand calling for the move to be blocked.

M Andre Bergeron, the FO's secretary general, reminds the President that the WFTU was expelled in 1950 by government decree. He says: "The implementing by this sleight of hand of an office totally dominated by the WFTU in Paris would indicate an abandonment of this decree, which we would regard as extremely regrettable and dangerous."

Mill for textile jobs blackspot

BY NICK BUNKER

ROCHDALE, the Lancashire textile town where more than a sixth of the workforce is unemployed, is to be the centre of a £10m investment in a spinning and weaving mill which is likely to create 400 jobs.

Manchester-based Wills Fabrics, the privately owned company behind the venture, expects to employ between 200 and 250 people at the mill by next spring.

The figure is expected to reach 300 by mid-1986, with more jobs likely to come at other plants owned by the company in the region.

The investment will mean a major increase in the payroll of Wills Fabrics, which employs about 700 people at various sites in the northwest of England. The company has traditionally kept a low profile since being founded by its present chairman, Mr Arnold Wills, in the late 1940s. He believes that the Rochdale mill may be the first integrated spinning-to-weaving mill to be opened in Britain since 1945.

Rochdale has one of the highest unemployment rates in the northwest – 16.2 per cent of the workforce – according to the Manpower Services Commission's regional intelligence unit.

A higher proportion of companies failed in the textile, clothing and footwear industries sector during the first half of this year than in any other industry sector, according to a survey carried out by Dun & Bradstreet, the business information organisation, James McDonald writes.

There were 692 company liquidations and bankruptcies in the textile, clothing and footwear industry during the six-month period – 4 per cent of the 17,306 businesses in the industry (based on value-added tax registrations for the industry at end-June).

The electrical engineering industry recorded the second highest proportional failure rate, with 283 failures over the same period – 2.8 per cent of the 10,038 businesses VAT-registered at end-June.

The highest actual number of business failures, 1,738 liquidations and bankruptcies, was recorded in the construction sector, but that represented less than 0.8 per cent of the 229,637 registered businesses in the industry.

The failure rate among businesses in the service industry sectors – banking and finance, professional and scientific, and retail – was 0.5 per cent, which matched the overall national business failure rate.

Last month, 10,679 people were registered unemployed in the town's travel-to-work area, a rate of 17.5 per cent, compared with a rate of 16.8 per cent in August 1984.

Mr Wills said yesterday that he hoped the new mill would compete strongly with imported textile products, but he declined to add details of the new investment. He said: "We feel that with new technology the time is right to make a stable textile industry in this country."

Last week the British Textile Confederation reported that sales of British textiles and clothing overseas had risen rapidly to record levels in the first half of this year, in spite of the rise in sterling which it predicted might damage the industry's prospects.

Spending on process plant 'up by 17%'

By Ian Rodger

INVESTMENT in new equipment in oil refineries, chemical plants and the other major process industries in Britain is expected to surge by 17 per cent this year to £2.3bn, the highest level since 1981 in real terms, according to the latest annual forecasts from the Process Plant Economic Development Committee (EDC).

Despite statistical indications that this year's spending may represent a peak, the EDC is confident that the rising trend will continue next year. It also reports that UK process plant contractors are more optimistic than for many years. Only one of 23 companies responding to a recent EDC survey believed that the future trend of hardware orders was downwards.

Company executives said that buyers appeared to be taking a more favourable view of UK suppliers. Other helpful factors included the lower tax burden on offshore oil industry developers since 1983, an increase in overseas orders and, the EDC reports, "an element of UK Government protectionism."

The offshore oil development sector continues to lead the increase in demand for process plant, with an estimated £711m in spending this year, up 43 per cent from 1984. Plant spending by the chemical industry will rise 30 per cent, to £821m, while that by the oil refining sector will reach £159m compared with £108m last year.

At the other end of the scale, the electricity generation industry's capital spending appears set to decline for some time, having peaked at £1.07bn in 1983. The sector's total spending this year will fall 21 per cent to £766m and its spending on process plant will drop 25 per cent to £365m.

Capital spending is also depressed in the gas and steel industries. Total spending by the gas industry in 1984 of £295m was 5 per cent lower than anticipated, in real terms, and during the 1985–1988 period it is expected to be 25 per cent lower than forecast last year.

The EDC has also published a study of the manufacturing performance of the process plant industry, pointing out that even though a buyers' market prevails, clients could obtain better value on many projects by not demanding higher assurance of quality than required.

Liberals turn less Green and more expansionist

BY PETER RIDDELL, POLITICAL EDITOR

THE LIBERAL PARTY yesterday turned its back on a no-growth "Green" approach and endorsed an expansionist strategy, in line with the policy approved last week by the Social Democrat annual conference.

The Liberal assembly in Dundee, Scotland, yesterday approved a motion calling for additional public investment, expenditure on training and incomes strategy linked with profit-sharing and a more equal distribution of wealth and incomes.

Mr David Steel, the Liberal leader, will take up some of these themes in his major assembly speech this afternoon. He intends to discuss the practial application of industrial participation and profit-sharing based on the work of Professor Martin Weizman of the Massachusetts Institute of Technology.

He will talk about an "enabling economy" in which the government works with the private sector to encourage enterprise, participation and employment.

During yesterday's debate Mr David Penhaligon, the party's economics spokesman, stressed the priority to be given to cutting unemployment and the need for a "sensible approach to pay settlements and pay restraint."

He also urged full British membership of the European Monetary System.

The motion, and a number of Liberal MPs who spoke in the debate, argued that the strategy should be discussed with business, the trade unions and other interested parties, both before and after a general election.

Mr Malcolm Bruce, MP, who chaired the assembly working party – which drew up the resolution, said there was a fundamental difference between the economic approach which an SDP/Liberal Alliance government would adopt and the approach of the Labour and Conservative parties.

"We will seek to develop a strategy by co-operation and consultation with all major components of our society – business, industry, trade unions, financial institutions, local authorities and others."

The Liberal assembly at Dundee

He added: "We alone can do that – first because we want to, and second because we alone have not been bought by any of the sectional interests of our society."

Mr Bruce said that as a trading nation Britain was part of the world economy and must seek stable exchange rates. "That's why we must join the European Monetary System and seek to promote some form of tripod agreement based on European currencies, the U.S. dollar and the yen."

During the debate, which was much less specific about policy than the SPD debate last week, there were several references to "when we are in government," reflecting the self-confidence of the assembly. What limited criticism there was came mainly from those urging a greater commitment to tackling unemployment and structural changes to boost employment.

This approach represents a clear shift from the Liberal debates of the late 1970s when the party moved towards a "Green" approach rejecting economic growth. There is still, however, an emphasis on conservation and sustainable expansion.

The only qualification to the general sense of unity and support for Mr Steel came in an early morning debate attended by only 100 delegates, notably Young Liberals, which approved a change in the method of holding a leadership election.

In future, an election will happen automatically two years into the life of a parliament if there are two candidates backed by at least five Liberal MPs (against the previous requirement that 50 constituency parties had to support a challenge).

The change will make little difference in practice since an unpopular leader would always be challenged. Mr Steel said he was relaxed about the move.

Mr Cyril Smith, the Liberal MP for Rochdale, and an absentee from the last two assemblies, made his usual intervention in absentia in a BBC television interview.

He said that Dundee was a "daft place" to have an assembly and he dismissed the idea that the Alliance could negotiate a coalition government with the present leaders of the other parties.

Apartheid sanctions demanded

BY LISA WOOD

AN URGENT CALL for the British Government to impose comprehensive sanctions against the South African Government was made at the Liberal assembly by Mr Alan Beith, the party's foreign affairs spokesman.

He said the alternative was "the bloodbath which we have long feared."

Mr Beith was one of several leading Liberals, including Mr Alan Watson, the outgoing president of the party, who condemned the Government's refusal to take sanctions against South Africa. These included what Mr Beith called "the minimal, almost pathetic" collection of measures agreed by the rest of the EEC countries.

Delegates strongly supported a motion which called for the release from prison of Mr Nelson Mandela the African National Congress leader, and for economic and cultural sanctions against South Africa. A motion introduced by Mr Beith strengthened Liberal criticism of the UK Government's policy on sanctions against South Africa.

Only two delegates spoke against the motion, their main argument being that links with South Africa could influence and educate South African policies.

Mr Beith said rapid and dramatic change had overtaken South Africa in the last two months. The economy of South Africa had suddenly become immensely more vulnerable than it had ever been before.

"There are good reasons," said Mr Beith, "to be sceptical about the effectiveness of long-term sanctions, however strong their moral justification. But I am in no doubt at all that immediate international sanctions applied now would terrify both the South African Government and the business community."

He warned: "Britain is throwing away the best opportunity in recent years to take effective action, co-ordinated on an international scale."

Mr Alan Watson, a South African-born delegate, in arguing that sanctions could be effective said Mr P.W. Botha would not have announced recent changes "if the rand had not crumbled beneath him and the foundation of the South African economy had not been shaken."

He added: "The purpose of sanctions is not to punish whites in South Africa but to prevent Armageddon."

Mr Dai Liyanage said sanctions could hurt black South Africans more than whites. But in the long term they were the only way to smash apartheid.

Cold water poured on islanders' oil hopes

By Mark Meredith in Stornoway

YOU COULD feel the temperature in the room drop. Leading members of the Western Isles community had gathered to hear how the development of offshore oil might bless their economy.

The Scots are still understandably intoxicated by the prospect of onshore prosperity akin to that of Aberdeen which would be generated by possibile oil finds to the west and north west.

The sobering-up was dispensed by the oil companies and even the Department of Energy, which told the islanders that they should not count on oil being discovered in their patch of the North Atlantic. Even if it was found, it was likely to be developed from the existing service bases on the mainland.

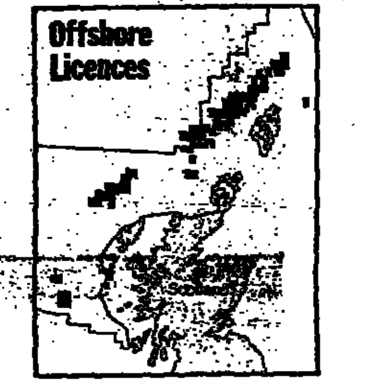
A great deal seemed at stake in Stornoway yesterday: it has a fragile economy, based largely on Harris tweed, fish, crofting, and some offshore fabrication work. The people were wondering how much they should build up their hopes.

The message from the oilmen, while pouring cold water on some of these hopes, did show the limited impact which some of the remaining discoveries of oil might have on the land-based economy.

The Rockall trough lies to the north west of the Isle of Lewis. It and the west Shetland basin to the north remain the two areas where oil in big quantities, akin to that of the Brent field in the North Sea, might still be found.

Twelve exploration licences have been granted in Rockall, but so far only one seismic well has been drilled.

The obstacles to any oil and gas developments on this side of Britain are in an entirely different league from those which faced the considerable achievements already made in the North Sea.



Depths in this part of the North Atlantic increase dramatically to 600m or more, compared with the 90m – 120m average of most North Sea oilfields.

Atrocious weather closes in about now, making it impossible for any drilling activity to resume before next March.

BP's plans involve drilling in the sloping sides of the Rockall trough, which eventually reaches a depth of 1,800m. Huge slips of sediment will make drilling not only difficult but hazardous.

"We would be irresponsible to raise hopes too high," Mr Nick De'ath, BP's chief geologist for northwest Europe, told the conference.

Oilmen were lucky with about one out of 20 or 25 wells drilled, he warned, adding that it took a further 10 years from discovery to production in normal oilfields.

These, however, are not normal fields, and the oil industry is only starting to find ways of discovering and handling the oil and gas they may produce.

There was further bad news from Mr James Hay, divisional manager for Britoil in Aberdeen. He said that, even if oil was discovered, it was likely to be handled from the existing land bases. Long-range helicopters made it possible to fly to any exploration or production rigs off the Western Isles from Aberdeen.

Supply ships would probably also use their bases in north-east Scotland, Mr Hay said.

What hope remained came from dissenters, who pointed out there might be a future in supply bases in the Western Isles which were able to show that they could operate commercially.

Others pointed out that the oil companies had got it all wrong previously about what they might require.

There was also a warning from the Shetland Islands about how, if oil was discovered, they would not only have to plan for its development but also for its eventual decline.

This has been the experience of Shetland with the building of the Sullom Voe oil terminal which, once constructed, does not require large numbers of personnel to operate.

The Western Isles is highly protective of its culture. Here Gealic is spoken in the street, and the Free Presbyterian Church frowns on any economic activity on Sundays.

"It would be a shame," an island councillor said, "if all these natural resources are used and by-pass the Western Isles entirely. But, most important, it is a pity for the young people, who need the hope."

CBI/FT DISTRIBUTIVE TRADES SURVEY

Strong retail sales boost jobs

BY PHILIP STEPHENS

CONFIDENCE that the spending boom in the shops is continuing into the autumn has brought a further boost to employment in Britain's shops and warehouses, although a rising proportion of the goods sold are imports.

These are the main conclusions of the Confederation of British Industry/Financial Times monthly survey of distributive trades published yesterday.

Commenting on the findings, Mr John Salisse, chairman of the CBI's distributive trades panel, said he was particularly encouraged by the fact that many of the new jobs were full-time as well as part-time.

"The new jobs are being created largely by the big stores and supermarkets and the major wholesalers, with new developments obviously making a major contribution," Mr Salisse said.

"The increases in employment reported today are the biggest since the survey was started in 1983."

The survey, which has accurately tracked the consumer spending spree of the last two years, suggests that after record sales last month retailers can expect a further rise in business during September.

The percentage balance of retailers reporting higher sales in August than in the same month a year earlier was 63 per cent, the largest since July 1984. This month a balance of 67 per cent is anticipating improved turnover.

The percentage balance represents the proportion of respondents reporting or expecting an increase in turnover, minus those indicating lower.

The special quarterly questions included in this month's survey show that that the buoyancy in sales is still being translated into higher employment in the shops.

For August a balance of 34 per cent of the 294 respondents said that they were employing more people than a year earlier, up from the figure of 25 per cent in May.

There are also signs that full-time employment is growing faster than part-time. If that continued, it would reverse the trend of the past few years when retailers have tended to shed full-time workers and replace them with part-timers.

There was less encouraging news for the economy from the responses to the questions on inflation and imports.

The pace of growth in the proportion of sales accounted for by imports fell in August, but there was still a balance of 3 per cent reporting higher import penetration than a year ago.

At the same time, the balance of 87 per cent reporting higher selling prices in August than a year earlier was the highest since the survey began.

The 197 wholesalers covered by the survey are also confident about the outlook. Although sales volume in August rose by slightly less than expected, a balance of 55 per cent expects better turnover this month than a year ago.

The balance of 36 per cent expecting an improvement in their overall business situation in the next three months was the largest since early 1984, while the same balance of 36 per cent reported larger workforces than in the same period last year.

As in the retail sector, more of the new jobs are full-time than part-time, a trend which the wholesalers expect to continue over coming months.

Selling prices have continued to rise quite strongly, with a balance of 69 per cent reporting increases in August compared to a year earlier. About the same percentage expects further price rises over coming months.

The 61 motor traders who responded to the survey said that sales in August were better than had been expected in July. A balance of 69 per cent reported higher turnover than in August 1984.

CBI/FT survey of the distributive trades; from Economics Department, Confederation of British Industry, Centre Point, 103 New Oxford St, London WC1A 1DU

Atomic authority prepares for role change

DAVID FISHLOCK, SCIENCE EDITOR

THE UK Atomic Energy Authority will be operating as a trading fund by the end of this financial year, in April 1986.

This means that it will be paid for work it carries out for clients – including the Government – on a customer-contractor basis, and no longer subsidised by a grant from parliament.

For the authority, the change is not cosmetic but "a very big change indeed," says Mr Arnold Allen, its chairman, who has been a board member since 1971 and will retire in April.

In effect, the authority is being turned into a commercial research and development body, on the scale of such organisations as Battelle and Stanford Research Institute in the U.S. and TNO in the Netherlands. It has a staff of 14,000.

It is likely to retain its present name, which is internationally known and reflects the fact that nuclear energy will continue to be its dominant activity.

Mr Allen, who presented the authority's annual report yesterday, said he did not expect its non-nuclear research work to grow by more than a few per cent from its present level of about 13 per cent.

Last year the authority earned £30.3m from non-nuclear research and development, compared with a net spend of £230.7m on all its nuclear research and development.

It spent a total of £399.7m and was paid a total of £174.4m for its services last year. The balance is provided by parliamentary vote.

The Government's aim in announcing last February that the authority would become a trading fund, was to eliminate the need for a grant that had been provided for the 31 years since the authority was set up.

The change has raised complex questions in Whitehall about what should be the authority's initial capital debt, what its financial limits should be and what rate of return the Government should expect.

"I am anxious that the targets set should be tough but should be possible," Mr Allen said.

The authority has been promised borrowing powers by the Government, but Mr Allen wants to see it able to finance a good proportion of its investments internally. He believes it must also have enough money for speculative, high-risk research activities, and that the Government must accept that some of its new ventures will fail.

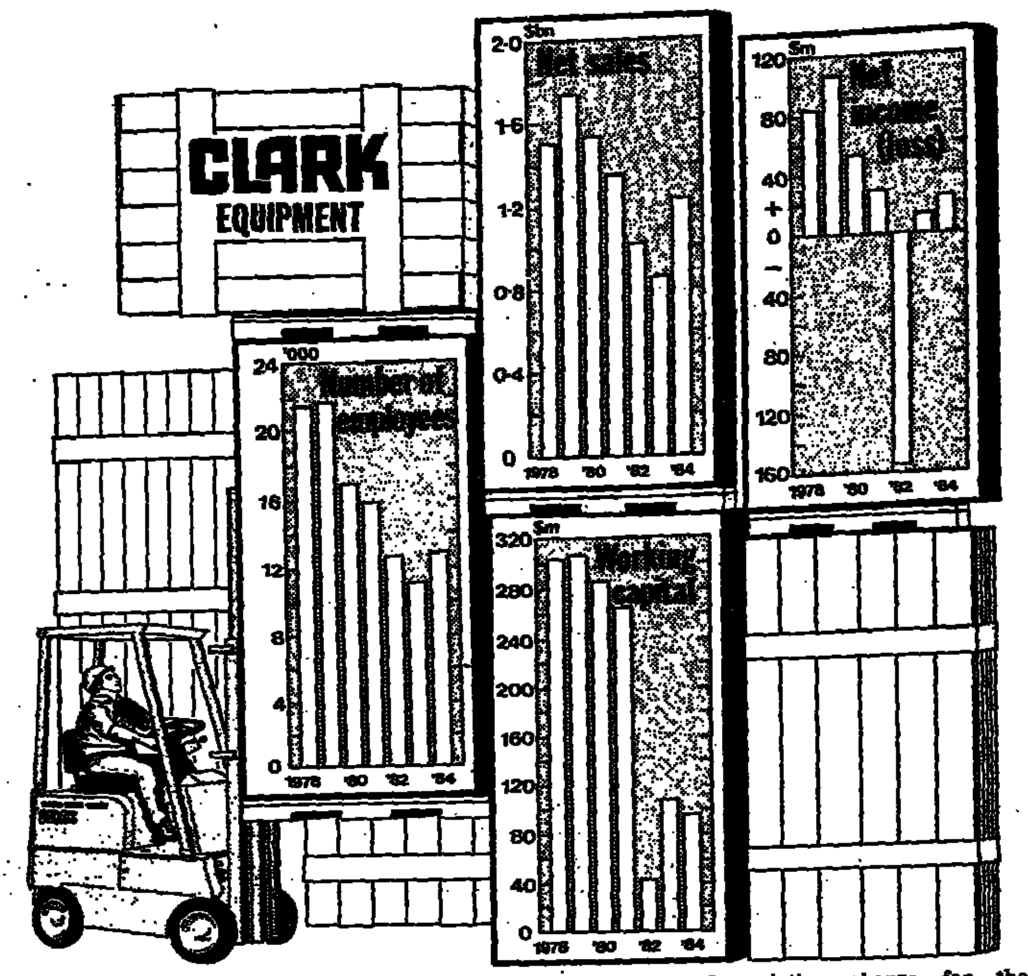
A difficult area of negotiation is the cost of the underlying research base, which maintains the capability of the authority as a world-class scientific centre. This cost, £27.8m last year, has always been met by central government.

The authority would prefer to finance the underlying research programme as a surcharge on all other programmes, providing financial guidelines can be drawn which will keep its research services competitive.

U.S. heavy engineering

How Clark Equipment gave itself a lift

BY IAN RODGER



YES, SMOKESTACK America, there is hope for you yet.

Many U.S. manufacturers of heavy equipment, battered by low cost competition from the Far East and the effects of the high dollar, have been retrenching and/or moving their manufacturing operations offshore.

Caterpillar Tractor, Ford, and many others have all been building up operations abroad while cutting back in the U.S.

But the managers of Clark Equipment, the Indiana-based leading Western producer of low cost competition from the plier of construction equipment and automotive components, are just emerging from a three-year restructuring exercise, and they think those sorts of decision are unnecessary.

They believe things like lift trucks, wheel loaders and off highway vehicle transmissions can be made in the U.S.—and be made "world cost- and quality-competitive" there, to use the leitmotif of James Rinehart, the chairman—using only very small amounts of components imported from low cost suppliers in the Far East.

"When we started, we assumed that we would have to buy 60 per cent of our components from Pacific Rim countries," says Rinehart, who joined Clark in 1981 following a long career at General Motors. "It turns out that there are many producers in the West that are as good as, or better than, the Japanese."

One of them—and it has been a source of inspiration for Rinehart—is Clark's own Melroe subsidiary, which makes the Bobcat line of mini loaders. Melroe continues to dominate the world market for these products, with an estimated 55 per cent share, operating from factories in, of all places, North Dakota.

"They have a scale advantage of four to one over the next competitor," Rinehart says. "But they set their cost targets in anticipation of a competitor with similar volumes. It is a cultural thing."

It is one thing to admire a company like Melroe that has long maintained a rigorous international view, quite another to develop a strong culture in some weary old businesses, like Clark's lift truck company. "The challenge of making a Western company in traditional businesses world cost- and quality-competitive is more complex than I realised when I came," Rinehart says. "It takes an extraordinary commitment. In many cases, it means reducing costs by 50 per cent."

Since 1981, Clark has closed six factories, written off more than $200m in restructuring costs and hived off one of its principal businesses—construction equipment—into a joint venture with Volvo of Sweden. It is also in the process of withdrawing from the car and on-highway truck components sectors. The company hopes to make an operating profit this year for the first time since 1980.

Outperform

Rinehart now believes the core Clark businesses—including the venture with Volvo—have been saved and are well on the way to achieving his goal which is to have them outperform industry competitors "and systematically to develop the capability to sustain that relative performance level throughout the economic cycle.

"The good news," he reports, "is that it can be done." But he also cautions, "the bad news is that it may not be enough. I would not try to convince you that we are there. We will just have to wait and see."

His main concern is what he sees as an unfair competitive advantage the Japanese have in the availability of low cost capital. "To be financially viable, you have to earn a return on assets that is at least equal to the cost of capital. Japanese interest rates are half those in the U.S. so the return on assets of Japanese manufacturers only has to be half of ours. We have got to get them to open up their financial system."

Rinehart's own approach has been, as he puts it, "to revitalise each of the businesses without any mental limitation whatsoever on how it would be done. We accepted that that could well include new ownership arrangements."

In the early 1980s, Clark had three main manufacturing businesses. It was the world's largest maker of fork lift trucks, with turnover in 1982 of $424m. It was a significant producer of construction equipment, making the large Michigan loaders as well as the Bobcat products. Revenues from that division were $364m. And it made $234m worth of axles and transmissions, mainly for off-road vehicles.

Rinehart and his colleagues decided in the autumn of 1982 that these businesses, with the exception of Melroe, could no longer go on the way they had done. They did not know what needed to be done, so the first thing they did was close four factories. "That improved cash flow dramatically and gave us the time to find out how to do it and whether we could do it." Rinehart says. He emphasises the importance of money management when restructuring. "You have to learn not to throw money at problems. I suppose that is a peculiarly American weakness."

The Clark executives spent two years studying their businesses and came to some stark conclusions.

They decided that the fork-lift truck industry was basically a regional business. It had been turned into an international one in the 1970s by Japanese producers who realised that they could undercut their Western competitors, but Clark executives do not believe this trend will last.

However, they recognise that thet lift-truck itself is a declining part of the much larger materials handling business, and that any manufacturer which intends to stay in the business has to broaden its product line. The problem is that materials handling technology is in considerable turmoil, with no clear product types emerging. For example, the automated warehouse concept of the 1970s has quickly gone out of fashion because manufacturers today do not want to hold big stocks. Now the emphasis is on more flexible materials handling automation.

Clark's strategy is to be as competitive as it can in the lift truck industry and to look carefully for other opportunities within the materials handling industry. "One does not really want to invest a lot of money when the future is so cloudy," Rinehart says, "but we are going to be a part of the automation business."

By contrast, the Clark executives concluded that the construction equipment sector would remain a world business. Only those who operate on a worldwide basis would have a chance of surviving. The problem was that Clark on its own was a relative minnow in a $20m industry. Moreover, the industry standards were very high, with Caterpillar Tractor of the U.S. showing the way on distribution, Komatsu of Japan setting the pace on cost and quality. Another criterion for survival was financial strength. Any survivor would have to be able to invest heavily in new products.

"We took a very long range view of this industry, and it was impossible not to see a future for it," Rinehart says. "Societies around the world are going to have to move earth and dig for a long time. Areas where you would have expected to see huge growth have been held up by debt problems, but that does not mean the jobs will not be done. And there is nothing on the horizon that would be a substitute for our products."

So Clark decided it wanted to remain a part of this industry, but that meant it had to get bigger. In 1984, it bought a competitor, Euclid, from Daimler-Benz for $31.6m and last year it merged its entire construction equipment business with that of Volvo, creating at a stroke the third largest supplier in the world. VME, as the new venture is called, has more than 20 per cent of the world market in dump trucks and about 16 per cent in wheel loaders.

It has the additional virtue of being profitable, and Clark and Volvo are determined to keep it that way. "Tenneco, IBH, Fiat and Dresser have shown that you cannot put losers together in this industry." Clark and Volvo expect to attract other partners to VME, but they are setting stiff terms. "One of the criteria for joining the club is to have been profitable in 23 of the last 25 years."

Rinehart emphasises that the formation of VME is by no means a prelude to a Clark exit from the construction equipment business. "Both of us will retain 50 per cent for the long term. Neither company intends to get out of the business. There are obvious synergies between construction equipment and other operations of the two companies."

Synergy

The obvious synergy for Clark is with its axle and transmission division. The company claims to be the world's largest supplier of transmissions for off-highway trucks and industrial vehicles. It has a much smaller position in on-highway trucks and cars, and has decided that it can no longer keep up with other suppliers in this sector. Earlier this year, it put its medium duty truck transmission business into a joint venture with Eaton, another components maker. As part of the deal, Eaton is expected to buy out Clark's 50 per cent stake by the end of 1991.

With the strategies clearly established, Clark is now grappling with the problems of implementation. "In many cases, it means new design, new suppliers," Rinehart says. "In some cases, the new designs do not fit into the traditional manufacturing configuration so you have to start over."

So far, the main emphasis has been on improving both the quality and cost of bought-in components. Rinehart suspects that Clark will end up changing well over half of its suppliers. "You go to them, and many of them just do not believe that they are uncompetitive. It is sad. And many others, even when they see it, say that it is impossible for them to get there."

For all that, the company has not changed the origin of its supplies much. It is making greater use of its components factories in Belgium and Brazil, and plans to move a transmission-axle line from North Carolina to Brazil. "There will not be much change in the sources of our value added when we are done, and the amount from the Pacific Rim will only be about 10 per cent."

The next, and much tougher, phase will see the introduction of many new products and processes. Clark has kept its capital spending well below its depreciation charge for the past three years, and has only prevented the deterioration of its plant by keeping the best of the machinery from its closed factories. But that can only go on so long. Also, both VME and the lift truck business are developing new products, and these will probably require the adoption of new automated manufacturing technologies.

Rinehart's conclusions on the whole restructuring exercise are not surprising. "You have to have a lot of commitment, hard work and luck." And part of the luck, he reveals, came in the legacy from the company's ill-fated dash for growth in the 1970s.

In the 1970s, Clark built three new factories for its major products in North Carolina, duplicating those it already had in Michigan. When the crunch came, the company found it could close its four main factories in high-cost Michigan without losing any business.

"The factories in the South had capacity dramatically greater than anyone thought and a potential cost structure that was half what we had in the North," Rinehart says.

Management abstracts

Direct Marketing in UK. L. Andrews in Direct Response (UK), February 1985 (2 pages)

Present results of a survey of the use of direct advertising by some 200 major companies and its importance in overall marketing plans; while finding wide use (over 80 per cent of the sample), direct response is seen by most companies as a minor part of the marketing mix. Argues there is a strong case for more education for senior marketing managers to develop understanding and skills.

Are British managers culturally sensitive to Islam? N. Nicholls in Business Graduate (UK), April 1985 (5 pages)

Surveys a sample of companies marketing in the Middle East to determine how they cope with cultural differences in dealing with Islamic customers in terms of product and advertising adaptation, and in selecting senior executives responsible for the market; finds that most consider cultural factors to be important (but economic-political factors more so), and that few difficulties are seen to exist.

Female managers overseas. N. J. Adler in The Columbia Journal of World Business (U.S.), Autumn 1984 (6½ pages)

Reckons that nearly a quarter of managers in the U.S. are women, but that only three per cent of expatriate managers are women; from a survey of U.S. and Canadian personnel managers reports that the majority believe that this proportion will grow, but lists the difficulties as—foreigners' prejudice, dual-career marriages, and resistance within their own companies.

Costing for marketing. I. Davies in The Australian Accountant (Australia), May 1985 (5½ pages)

Argues that accountants should become more aware of the potential benefits of marketing programmes rather than just paying attention to the costs; analyses the various components of a marketing strategy and mix so that accounts analysis can follow; puts the view that production schedule stability can be greatly assisted by this approach.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £4 each (including VAT and p+p; cash with order) from Anbar, P.O. Box 23, Wembley HA9 8DJ.

FINANCIAL TIMES SURVEY
Friday September 20 1985

Innovative development and gradually reviving rent levels offer new hopes for selective growth in the sector

UK PROPERTY

New blood and newer ideas

BY WILLIAM COCHRANE

THIS YEAR has seen growing awareness of the limitations of UK property as an investment vehicle, and a willingness by property professionals to do something about it on a long-term basis. They have become more aware of the occupier's needs, and there is even room for short-term optimism on the performance of rents.

False dawns have been an annual feature of the property market since 1982, however. "To call property people optimists is akin to saying that Ben Hur was a bit useful with a horse and cart," said stockbrokers *WICO Galloway & Pearson.*

Reports of institutions piling back into the property investment market were "a massive over-simplification." Property investment by institutions had reached an *all-time high in the fourth quarter of 1980,* at £569m for the quarter.

In *nominal terms* there has not been a quarter above £400m since 1988. "In inflation adjusted terms institutional investment is about 50 per cent less than its 1980/81 peak," the brokers said.

Echoing a number of institutional fund managers, Mr P. G. Hirsch, managing director of Hirsch Mortgage (International), said property had lost some attractions with the *fall in inflation and the increase* in the real rate of return on fixed interest and other forms of investment.

"Property tends to be seen as a sound, long-term inflation hedge and attractive when inflationary expectations are high," he said. "Under the present government the inflation rate has *fallen.* In *this* changing environment, investors have tended to be more interested in financial assets as opposed to real assets such as *property.*"

When *fund managers* can earn a real return elsewhere of 3 or 4 per cent with little apparent risk, they will think twice about investing in property, *where some* came badly unstuck in the early 1980s.

Mr Paul Orchard-Lisle's programme for his term as president of the Royal Institution of Chartered Surveyors contains a number of measures which would help to bring property investment into the second half of the 20th century.

Discriminating

Unitisation of single property investments would eventually bring home to the *prospective investor that each* property has its own investment characteristics and prospects. Indeed, the success of Wates City of London Properties *as a specialised investment* vehicle suggests that they have already caught on to that.

The funding of Mr Rupert Nabarro's Investment Property Databank and the decision to make its work widely available *on demand will also help* promote a more discriminating approach to the sector.

However, as Jones Lang Wootton *said in* the commentary for its summer Property Index, the key to long-term property performance is rental growth.

Letting markets continued to *show growth in activity* and there was evidence that this is gradually beginning to translate into increased rental growth.

They predicted that over the next 12 months if the economy *continued to expand* as expected, and inflation remained in the 4.5 to 7.5 per cent range, there would be rental growth of about 6 per cent—with a *faster rate for shops and slower* rates for industry and offices.

However, given the returns elsewhere there would appear to be little room for a general fall in yields. "Although property returns in the coming year may exceed last year's the improvement is likely to stem more from income than capital growth," the agents said.

Debenham *Tewson* and Chinnocks showed industrial rents up by 7.6 per cent in their annual survey—the first yearly increase since 1979 which has exceeded *inflation.*

Unburdened

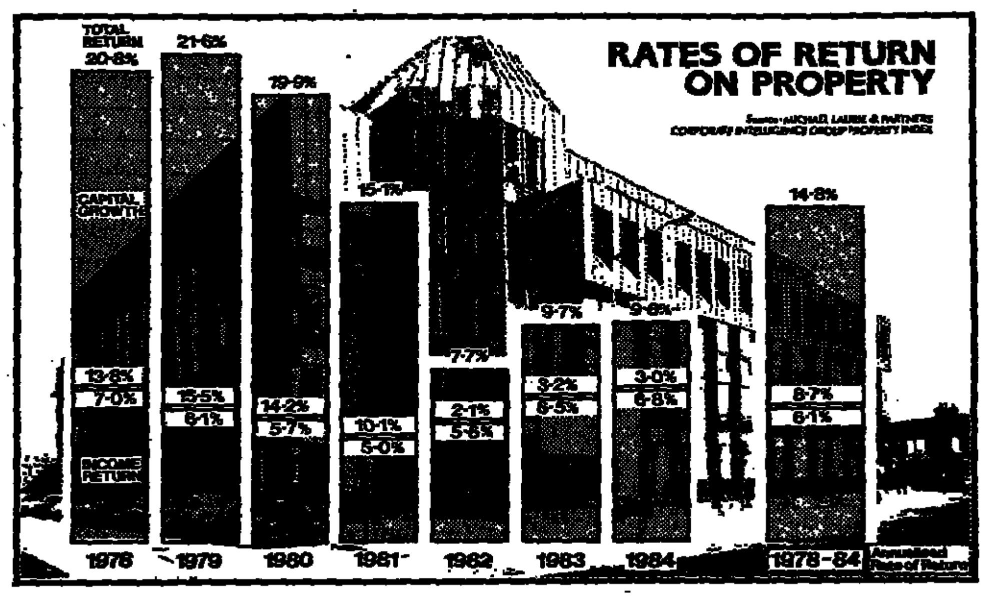
Hillier Parker's research team, led by *Mr Russell Schiller,* said, *that over* the past six years in the secondary sector shops have massively outperformed all other types of property, *with rents up by 79 per cent.* The rate of growth is accelerating, with an annualised rate of 16.4 per cent.

So there is hope. But it is selective, as the property share *market shows.* This *public* face of the property industry has produced disappointing asset valuations this year, as what one observer has described as "secondary, dated property portfolios" have come to light.

On the other hand what has been described as the new breed of merchant developer has shot *to stock market fame in* the shape of companies like London & Edinburgh Trust, Stockley and Rosehaugh. These are innovative, active *managers* unburdened by historic property portfolios—companies which above all seem to have developed what the occupier is perceived to require.

Property development is an exciting business. Right or wrong in a planning sense, out-of-town retail schemes have been *hitting* the headlines; high-tech and hybrid office/industrial properties have attracted institutional backing; and information technology is *changing the shape, and* locational requirements of office buildings.

The combination of new blood, new ideas and innovations in funding point to a constructive year ahead.



Measuring up to ambition

Mr Paul Orchard-Lisle, new head of Britain's chartered surveyors, has a clear campaign to boost the profession

THE NEW president of the *Royal Institution of Chartered Surveyors,* Mr Paul Orchard-Lisle, a senior partner in agents Healey & Baker, has a 25-point plan for his year of office. Most aim at improving the chartered surveyor's standing in public, professional and political terms.

However, Mr Orchard-Lisle is also aiming to improve the chartered surveyor. "I want to make sure that chartered surveying is a profession which adds value to the client," he says. "Too many others are reactive, *or protective.*"

At local level the chartered *surveyor should be seen as* "worthy of consultation in much the same way as the family doctor or the family solicitor;" at national level "as someone who can *contribute to the* formulation of policy and the taking of major decisions.

"We need to convince those in authority that we have something that they should hear first-hand, not via their staffs. We need to stress that the *chartered surveyor* is as worthy of a main board seat or a chief executive appointment as any person in the business community," he says.

There is a list of the "great and the good" in Whitehall — civil servants willing to serve in industry and commerce. Maybe the RICS should have something similar, a "nomination *service,*" he says.

Paul Orchard-Lisle, new RICS president

The profession will have to measure up to these ambitions. *The institution* is *studying* the relevance and practicality of a lay observer being appointed to professional conduct matters, a sort of ombudsman, in much the *same way* as Major-Gen John Allen does for the Law Society.

Gen Allen, incidentally, will be on the platform at the RICS annual conference in Cardiff next March. The conference will look at the revolution in financial services, the blurring of divisions between professions; diversification of services, the "increasingly dangerous minefield" of professional responsibility, urban renewal and the training needs of the profession.

Meanwhile *the* institution is looking at the unification of data banks. Collaboration has already been reported between Healey & Baker, Hillier Parker, Jones Lang Wootton and Richard Ellis, sponsors of a "super index" of property *market performance,* and the progenitors of the Investment Property Databank — Chestertons, Cluttons, Debenham Tewson & Chinnocks, Drivers Jonas, Savills and Weatherall Green & Smith.

At one end of the market the house agent who is a chartered surveyor will have to be seen to be better than the competition. At the other, there will be multi-disciplinary courses for top people.

The institution is exploring the introduction of a diploma with the College of Estate *Management open to those who* specialise in property investment. In the broad, Mr Orchard-Lisle wants to improve members' understanding of *financial mrakets, of marketing* and of business management.

Mr Ian Northen, president of the RICS planning and development division, will report on the development of the chartered *surveyor as property manager.*

Mr Orchard-Lisle is also *pushing on with inherited projects* like the unitisation of real property. Mr Colin Vaughan, of Debenham Tewson & Chinnocks and chairman of the RICS working party on the subject, has a definite target for completion of investigations.

The institution is waiting for new proposals for local rating in England and Wales, and looking at the simplification of the *planning process.*

W. C.

Property is re-emerging as a favoured investment, but problems remain on risks and funding gaps. **William Cochrane** reports

Rent rises restore confidence

Investment

PROPERTY investment stands in a better competitive position than it has done for some time. This is in high contrast to flow of funds a year ago.

"There is a general feeling among fund managers which has been gathering pace over the last nine months, that property will re-establish its importance as a vital ingredient to any investment portfolio," Mr Andrew Gulliford, of agents Healey & Baker says.

This compares with last year's finding by the Debenham Tewson & Chinnocks Money into Property report that 30 per cent of institutional funds were going into liquid assets (compared with 17 per cent in 1983), even though interest rates were dropping at that time and liquidity was less attractive.

Reasons for the switch are two-fold Mr Gulliford says. First, the evidence of rental growth in the retail and office sectors and the anticipated recovery of industrial/warehouse rents.

"Secondly, other competitive markete have been suffering from lack of growth, particularly the equity market, which has failed to perform during this calander year."

So there is a case for property investment; but in which sector? Earlier this year the Henley Centre for Forecasting reckoned that retail growth was due to be overtaken by that of office rents, and virtually matched by a resurgent industrial market.

Mr Gulliford says: "We do not in the foreseeable future believe that the accelerated growth forecast for office and industrial rents will impinge upon the retail sector's pre-eminence.

"The increase in retail rental levels overall is likely to be more favourable than in the other two sectors and this was certainly borne out in the last 12 months, to June 1985, by our PRIME report on rental growth."

Mr Howard Spence, investment partner at Pepper Angliss & Yarwood, takes a similar line. "The gap in total returns between shops and office/industrial property during the past five years has widened steadily," he says.

Shops have fundamental advantages of being less subject to physical obsolescence than other users and are less dependent upon covenant status. They also make up a less than optimum percentage of value within the average property portfolio he argues. Institutions therefore remain anxious to acquire more retail property.

Recovery

"Another major factor assisting retail property is the relatively small lot size and the breadth of available market to sell into." Office and industrial property tends to be large and indivisible.

"Retail pre-eminence is likely to continue for some time yet."

So there may be more scope for recovery in offices and even more so in industrials. There also may be a risk in investing in high street units — in spite of their convenient size—as shopping centres and, latterly, the move to out-of-town complexes siphon off more and more retail spending. But agents have to deal with the market as it is, not what it might become.

Agents discern a trend away from major conurbations. "There hasn't been much scope for retail property in major regional centres like Leeds, Bristol and Reading, with Zone A rents in the £70 to £80 per sq ft bracket," says Mr John Sloan of Richard Ellis.

"But where they were £20 to £30 Zone A in smaller towns two years ago, they have often motored up to around £40 to £50, with yields moving from 5½ to 6 per cent to between 4½ and 5 per cent, or even a shade better."

These figures would indicate capital growth in two years of about 120 per cent. Mr Sloan cites Marlborough, in Wiltshire, as a town which RE bought into about 18 months ago where rents have moved dramatically.

Mr John Orton, RE research chief, sees prospects for more involvement on the office side as values become more realistic. The firm's annual investment review this year had already pointed to a major upward movement in average yields in both the office and industrial sectors over the last year.

"The market has now reflected the poor prospects for future performance from outmoded standard property," said the report. For a number of years, it said, this had been valued at yield levels which could not be justified, either by anticipated future rental growth or in comparison with yields available on sale.

"This substantial change in yield structure has more than offset the beneficial effect of rental growth over the past year and has proven the major determinant of total returns in both the office and industrial sectors, which have shown negative capital returns of 1.43 per cent and 8.03 per cent respectively," said the report.

The consensus seems to be that this year will be a better one, for investment and returns. Jones Lang Wootton have forecast an annual rental growth rate of 6 per cent for the 12 months to next June, and a total return from property of about 11 to 12 per cent against 8.9 per cent last year and only 2.4 per cent in 1982-83.

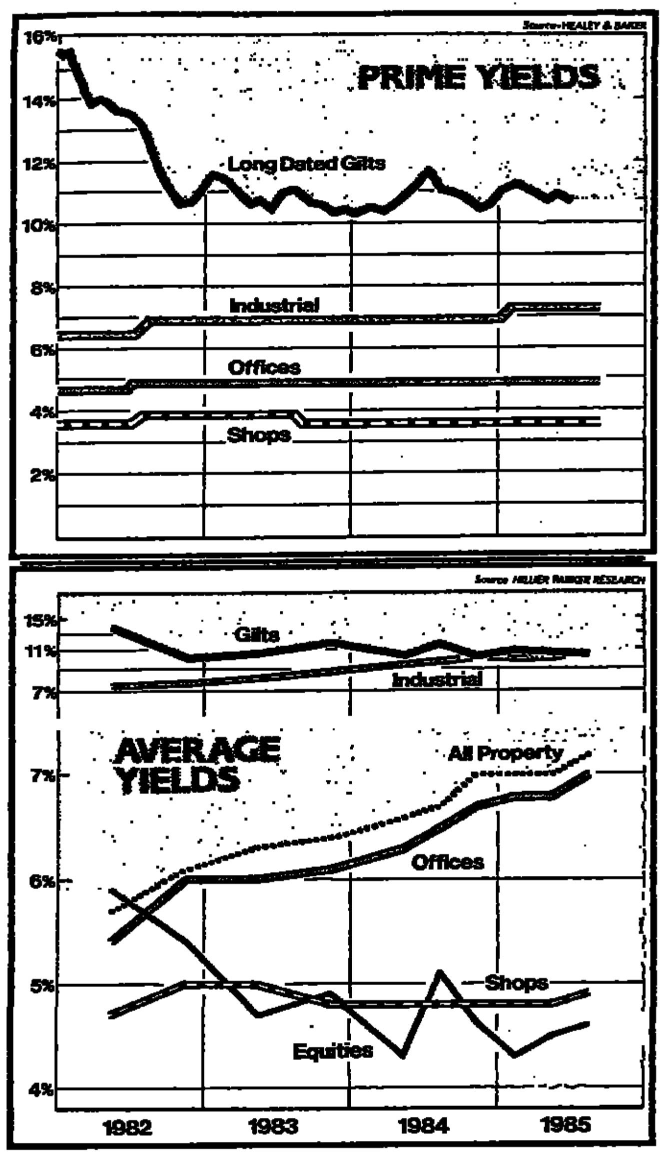
They saw little room for a general fall in yields while high returns remained available in the gilts and money markets. "Although property returns in the coming year may exceed last year's, the improvement is likely to stem more from income than from capital growth."

Secondary

At a different level, Mr Gulliford points to the activity by property companies purchasing other companies, the most spectacular being the MEPC purchase of EPC.

"There seems to be a general feeling that the value attributed to more secondary and tertiary properties are unlikely to fall further and have now been marked down sufficiently by professional advisers.

"The potential for not only rental growth but yield growth has therefore attracted potential purchasers of property companies where the majority of assets may fall into the secondary or tertiary category. The general anticipation of a fall in interest rates lends weight to this theory."



Resistance to low prime shop yields is showing in average figures and could end the period of prime stability since 1977, Hillier Parker says.

Paths explored around long-term distortion

Alternative funding

THERE IS a fundamental distortion of the top end of the UK property investment market. The distortion is long term, and has been perceived for some time, but that perception has been heightened by events of recent years, the increasing investment awareness of the chartered surveyor and solutions which the industry is beginning to put forward.

Mr Jonathan Tinker, a member of the new financial services group at Richard Ellis, points up the distortion in City of London terms.

"There is ready institutional money for City developments of up to £10m and a handful of institutions who can play in the £20m to £30m zone," he says.

"But once you are talking about the £50m to £70m building, you are also talking about a 7 per cent funding yield which could rise to 8 per cent if some form of participation is involved."

The owner-occupier is prepared to pay a lot more, he says. Brokers Scrimgeour Vickers noticed this when Mitsubishi Estate, the property arm of the Japanese bank, purchased the freehold of the 45,000 sq ft Atlas House on King Street and Cheapside in the City.

"One of the existing tenants, Mitsubishi Bank, is believed to be paying a rent of about £35 per sq ft, so the £34m purchase price would suggest a yield of just under 5 per cent," the brokers said.

The property market has been distorted for a long time, says Mr Colin Vaughan of Debenham Tewson and Chinnocks, chairman of the Royal Institution of Chartered Surveyors working party on unitisation of real property.

The 1925 Law of Property Act sought to simplify land ownership, he says. It invented the trust for sale, conceived as a stopgap, which spreads ownership of property but has limitations as an ownership or investment vehicle.

The 1958 Prevention of Fraud Act provides much of the framework of legislation affecting unit trusts and specifically excludes property from the type of assets which can be held by authorised unit trusts.

"Various taxation provisions militate against different types of investor and inhibit their effective combination," Mr Vaughan says.

Regeneration

For a while, this did not matter. The last 20 years has seen an enormous growth in size of institutional investors and their need to spread their funds led to substantial investment in direct property. Recent estimates suggests that major institutions and pension funds have some £30bn at risk in the market.

Risk is the key word. Past practice for the institutional market would be that few would sell within 10 years of purchase, and many would consider their property holdings permanent, Mr Vaughan says.

"When the 1980 recession came it exposed many of the decisions to buy, and resulted in attempts to sell many of the larger holdings which major institutions had accumulated.

In a declining market for all but prime retail values this proved extremely difficult, and the fact that property is an illiquid commodity was brutally exposed.

"This took place at a time when larger and larger sums were required by ambitious developers for projects of urban renewal.

"It has become obvious that in the future, larger sums may be required to procure the regeneration of many of our inner city areas. But the institutions which in the past have been principal sources of funds for major projects now recognise the trap which may arise should a sale become necessary."

A return to traditional sources of short-term finance, the bank, has helped to plug the f.ding gap. There have been increasing moves towards partnerships between developers and institutions, and Mr Tinker wonders whether participation mortgages will be imported from the U.S.

But the most persistent argument has been for the establishment of the single-property investment vehicle, whether a unit trust, a company or a syndicate. "It seems illogical that a major public company can be owned by thousands of shareholders but major property cannot be so subdivided," Mr Vaughan says.

Shares in ICI get their dividends from what is virtually the bottom line of the accounts, whereas with many property holdings, the net is almost equivalent to the gross.

"The property market is inefficient," he says. "The mystique associated with it operates in the same way as some restrictive practices and deprives investors of legitimate opportunities."

The RICS working party published a consultative document which recommended that single property unit trusts should be authorised by the Department of Trade and Industry so that a wider range of investors could be involved in the property market.

Its final recommendations are due to be published in the autumn. "The working party is now preparing a definitive report which will, amongst other things, highlight the advantages which might flow from the creating of a vehicle which would permit the unitisation of property assets," Mr Vaughan says.

Renewal

The individual investor would get the chance to place small sums in properties of his choice. The corallary is that the property professionals may open themselves to intense questioning and criticism from the media and probably their own competitors.

The developer could obtain funds in much the same way as companies are floated by public offer of shares. But the developer had better get his facts right, for equity issue prospectuses come under strict scrutiny from professionals.

Institutions would be able to come together and fund substantial developments without running the risk of massive over-exposure.

Mr Vaughan sees as an important consideration that the Government could realise some of its property assets this way, as well as finding sensible funding for some urban renewal prospects. If so, one might expect sympathetic treatment for altering the existing legal and tax frameworks.

Finally, the trading of individual unit holdings within a secondary market would provide bench marks of value which would be of great benefit in guiding valuations.

"Valuations could become far more reflective of a market and far less the subjective opinion of a highly qualified individual," Mr Vaughan says.

Mr Andrew Gulliford, of Healey & Baker, says that if unitisation gives the smaller investor a chance of purchasing a stake in a building he would otherwise be unable to contemplate, then this must be healthy.

"It is then up to the manager of the unit trust to provide a simple and effective means for the trading of units in each individual property."

A paper which saw a market similar in concept to the Stock Exchange was produced by Mr Christopher Jonas, managing partner of Drivers Jonas. Markets would be made through a property unit exchange and, implicitly the operation of supply and demand, rather than the buy-back facility employed by existing property unit trust managers on the basis of evaluation calculations.

Mr Vaughan and his team seem to be thinking along similar lines. "It might represent a suitable long term objective," he says.

"I am not doing this for institutions which will be able to sell illiquid properties as a result. I accept that there will have to be strong safeguards, especially strong for the small investor, but the best safeguard is an open, free market in property.

"It might be argued that the RICS is merely seeking another outlet for the services of their members. This would ignore the fact that by opening the market more widely and demonstrating its workings more clearly, other financial advisers would be able to operate in the market with greater freedom."

Balancing higher yields against tolerable risks

Fund managers

THE IMAGE of investment managers as mindless "sheep" following fashion and automatically accepting prime property offers has been punctured in the last year. Low-yielding high street shops, for instance, long considered classic "sheep fodder," will not be accepted automatically nowadays.

One outsider who has moved into the institutional fold dismisses any slavish approach to investment in any case.

"I don't think institutional *fund managers are like sheep,*" says Mr John Case, who moved from Peterborough Development Corporation about a year ago to manage Pearl Assurance's £600m property portfolio.

"Their property portfolios have been built with care. Assets have been developed and more money invested to bring properties up to date, or on redevelopment to produce growth."

There has been talk of fund managers falling foul of the "black hole" — property short of prime in the 6 to 9 per cent yield range which showed itself woefully deficient in growth and marketability in the recession years of 1980-84.

But institutions hold only a small proportion of the property market, and their holdings tend to be of higher quality, he says.

In 1984 the Pearl made a small disinvestment in property but by June this year it had new commitments of some £45.8m, of which about £23.4m was for retailing and the rest for offices.

He does not go for the 3¾ per cent high street unit. "The yield is too low. I go for more than 5 per cent." And he queries whether the 3¾ per cent unit still be prime after the first rent review.

Mr Matthew Oakeshott, investment manager of the Courtauld Pension Fund, goes a stage further. He said investment property defined as prime was "dangerous," and that high returns with lower risks would result from a careful choice of investments dismissed as secondary.

"Over the past four years the capital values of most institutional property portfolios have shown very little net change. Over that same period, *UK equity values have more* than doubled, while the sterling value of a typical pension fund portfolio of foreign equities has trebled. Gilts have risen by about half.

Acquisition

"Over longer periods the comparative returns from direct property show up very badly too." Pension fund manages and trustees, he said, will no longer be prepared to "buy the best and hope for the best."

Secondary and tertiary investments, within the context of a small, mobile fund, seem to have provided a useful stamping ground for Mr Terry Goddard, investment and administrative director of the Habitat/Mothercare group.

At a time when a number of pension funds and unit trusts were still attempting to reduce their property portfolios, the Mothercare Pension Scheme was involved in the largest programme of property acquisition in its history.

Mr Goddard decided late in 1983 that he wanted a high return compatible with security and quality of income. He appointed Gordon Bloor and Company, specialists in commercial and short-leasehold investments, as sole agents and advisers.

Mr Gordon Stafford-Bloor said that over the previous two years more investments yielding 10 per cent or more had come on the market and remained unsold. It was decided *to concentrate* on *this area*.

In 15 months the fund had spent some £13m (plus £2m on improvements) to obtain a commencing yield of more than 14¾ per cent. Since then, Mr Goddard reports that hundreds of propositions have poured in.

Mr David Doubble, of Rothschilds, has called for more and better information. "I suspect that many of us involved in property investment decisions spend a great deal of time ranging over a shopping list of areas in which we would like to buy, or sell, and monitoring areas in which we hold investments," he said.

"We are always searching for threads of information which could give early warning of trends."

However, he also suggested that a louder voice should be raised against the "insidiously growing" pressure for short-term property performance "generating a climate in which the investment decision gives way to the dealing decision and the opportunity of snatching a quick profit for the benefit of the performance tables is taken."

There is a clear move away from the long-term view of property, says Mr John Arkwright, investment partner at Herring Son & Daw.

"There is a possibility of fund managers going over the top by investing in secondary or tertiary markets because of the nature of the investments. They may provide a higher yield or more opportunity and therefore carry more risk.

"It is important to make the distinction between buying property in the secondary and tertiary markets for yield, and buying property which might otherwise be prime but for management problems such as poor structural repair, outmoded buildings or non-institutional lettings, where property can be improved to a prime investment by good management.

"The move by fund managers is not so much to secondary or tertiary markets in the traditional sense. It is active management being encouraged by a more regular look at performance."

Mr Andrew Gulliford of Healey & Baker, says: "There is a growing awareness among fund managers that there is a need to work properties within the portfolio by varying lease arrangements, refurbishing buidings, or ultimately selling properties which have not performed.

Contends

The fundamental attribute of property is the potential for long-term growth and, in this respect, it does not matter whether the property is prime, secondary or tertiary," he maintains, indicating that some advisers' definition of secondary or tertiary is different from others.

"In very general terms, if one accepts a higher yield, the risks of that investment are greater," he says. "The great skill is to balance the desire for higher yield with a tolerable level of risk."

Mr Oakeshott, who is leaving at the end of the year to set up his own business, said: "We will gradually be forced to recognise the brutal truth that there is only one sure rule for making a fortune in property as in any other form of investment: buy from frightened people and sell to greedy ones."

Mr John Orton, research partner at Richard Ellis contends: "This is really the role of the owner/developer, not that of the funder/investor."

However, RE acknowledges the sense of Mr Oakeshotts view that as institutions inevitably come to examine their own record in property investment more critically, there will be a revolution in attitudes to yields and the types of property acceptable.

UK Property 3

In a sector divided by ability and prospects, even the biggest names are threatened. Expanding groups are devouring others in the hunt for opportunities, **Michael Cassell** reports

Predators stalk the hybrids

Takeovers

THERE IS nothing quite like the prospect of an unwelcome suitor for smartening up the corporate image and sharpening a company's sense of survival. The property sector has seen a number of agreed marriages during the last year but the takeover which has produced more column inches than the most publicity-hungry estate agent could ever dream of is the one that has not even happened.

In April, Stockley, the thrusting property development and investment group run by Michael Broke, Stuart Lipton and Elliot Bernerd and backed by Jacob Rothschild, picked up an all-important 22.5 per cent share stake in Stock Conversion, previously owned by family interests of the late Robert Clark, Stock Conversion's co-founder and former chairman. Together with Jacob Rothschild's private shareholding, the £75m deal gave Stockley 26.5 per cent of one of the UK's largest (but arguably sleepiest) property groups.

Unleashing

Stockley said it had no intention of bidding for Stock Conversion for at least six months, a stance which unleashed a wave of speculation now set to revive as the period expires. Stockley may either mount a full-scale bid (some believe it would be an over-ambitious move, irrespective of the company's undoubted management skills), use its strategic stake to engineer a property swap or simply sell its share stake. It could, of course, simply hold its position for the time being.

Whatever the intentions, it is the response of Stock Conversion to the potential Stockley threat which represents the most illuminating aspect of the affair. Though the directors continue to deny it, preferring to suggest that Stock Conversion's revival represents the unleashing of in-house talent previously overshadowed by Mr Clark, the prospect of a fight for independence has provoked a remarkable transformation.

One of the most private of public property groups, Stock Conversion has this year been talking about itself and its ambitions in a way which Mr Clark would have found unnecessary and unacceptable. It has also managed to assemble an impressive list of potentially major developments which can now be brought on stream, although the group may have preferred not to talk about them or pursue them with any urgency.

The younger management, which has been given its head, displays a thorough understanding of the mechanics of modern property development and appears ready to adopt an aggressive portfolio management style which will extend to disposals as easily as it does to acquisitions.

If the quality of the 190-property portfolio is mixed and the group's recent asset performance has been disappointing, then shareholders — already reaping the benefit of a more generous but still overly cautious dividend policy — can look forward to the promise of more to come. Stockley's contribution towards the brighter outlook cannot be denied.

Though the prospect of a Stockley-Conversion amalgamation has been he biggest recent talking point, there have been other corporate takeovers and portfolio acquisitions to maintain interest in the sector. Perhaps the oddest was Liberty Life's bid for control of Capital & Counties unveiled in June.

The South African life assurance company, with a 29.7 per cent stake in Capco already under its belt, announced its bid after acquiring a small block of shares from British Rail pension fund and breaching the 30 per cent takeover code ceiling.

The bid was not, according to the South Africans, designed to take control and Capco told shareholders the offer was a poor one. Even so, by the end of July they had picked up about 90 per cent of Capco's ordinary shares. Capco will retain its separate listing and management and there is a good chance that Liberty Life's holding will be gradually diluted.

Other deals were more straightforward. Greycoat City Offices made an agreed bid for Churchbury Estates and its quoted subsidiary Law Land, in a move to enlarge its asset base without significant dilution. The expanded equity and profit base will enable the group to continue expansion and retain a greater share in developments.

Cash-rich

Greycoat has a strong management team (its plans to raise the level of retail exposure make excellent sense) a modern portfolio and a high quality development programme. The Churchbury deal will help fulfil its ambitions.

There was less stock market optimism for MEPC's £112.5m acquisition of the English Property Corporation portfolio, a package of property owned by Olympia and York which had been on the market for some time and which the new-look Stock Conversion had examined.

The issue of shares in part-payment by a cash-rich company raised a few eyebrows around the City, though the deal went a long way to meeting some concern that MEPC was finding it harder to maintain the momentum of recent years. It is a fear which the group denies, pointing to a large domestic development schedule and an active programme of portfolio management.

The EPC portfolio will give it plenty of scope for fresh development activity, although some of the properties are unlikely to remain long in the MEPC camp.

Another significant portfolio acquisition centred on Peachey Property's purchase of Lloyds Bank Property for just over £28m. The move provided an ever-astute Peachey with the chance to pick up some attractive retail and office property around the country.

The company believes there is little need for weeding out and that it has acquired a portfolio for a good price, offering scope for rising rental income and capital values. The next phase in its expansion, therefore, has been painlessly secured.

The future might not be so painless for others, particularly those who do not have the resources to buy the next round of work. For some the chances of continuing independence look slim, given their lack of management expertise and financial back-up—and, as importantly, their potential attraction from expanding groups seeking asset backing and development opportunities.

According to Mr Nicholas Owen, senior partner at agents Herring Son & Daw: "Many of the older, quoted property companies are at risk of take-over once family control is reduced because they are hybrids.

"They were created before Corporation Tax and the reverse yield gap. They grew on cheap money but had to turn to trading to cover borrowing costs. Now they are neither attractive investment vehicles nor top quality traders. They are set to wither."

The gulf in the prospects of individual property developers has continued to grow

Caught on the hop by revolution

Performance

WHILE THE UK property market has become increasingly characaterised by the widening north-south divide, so the gulf in performance and prospects between individual property developers has continued to grow.

The recent problems of the property market have been clearly reflected in the fortunes of the major property groups, highlighting the inherent weaknesses of some and the strengths of others. The big shakeout has forced developers to rethink strategies which recent events have often shown to be dangerously outdated.

Few would dare admit it but the property market revolution, which has ended years of landlord dominance and left occupiers with the upper hand and fresh property demands, caught many companies on the hop.

The widespread belief that the commercial property scene was merely passing through another of the supply-demand cycles which have become part of its history has been painfully disproved. The extent of structural changes in the British economy and their impact on occupational requirements appear to have permanently altered the rules of development and ownership. Companies failing to recognise the fact could find themselves out of the game.

The ranks of UK property developers have split into several categories. Apart from the institutions, most of whom have until recently cut or even abandoned new property investment, the corporate sector has rarely appeared more divided in terms of ability or prospects.

Enthusiastic

The advent of a new breed of merchant developer has proved refreshing at a time when institutional dominance of the investment and development markets had introduced predictability. The latest generation of developers has combined property expertise and financing skills to create investment opportunities out of situations which have eluded competitors with a more traditional approach.

Today's pace-setters have rekindled the spirit which formed the driving force behind the property industry's early post-war development and runaway success. Their ability to put together development deals and supporting financial packages is beyond doubt, though there are differing views on the quality of some property being created and its ability to stand the test of time.

In addition, an enthusiastic City of London following has sometimes been built up more on expectations than past record and the pressure will be on some high-fliers to produce results which justify their ratings.

The property sector stars are not hard to identify. They have made their impact through a form of innovative, active management which has been in short supply since the market collapse at the beginning of the 1970s.

Names like Stockley, London & Edinburgh Trust and Rosehaugh have moved quickly to exploit an approach to property investment which generally entails minimal in-house risk yet offers the chance of significant participation in developments. Close behind come comparatively small but ambitious and skilled development operations like Peel Holdings, Bride Hall and Arlington Securities. Each has chosen to concentrate on specific sectors of the development market.

It may seem astonishing to those with little knowledge of the property market, but one of the keys to the success of the newly-emerged developers lies simply in their willingness to do thorough research.

One of the principal criticisms of the development sector has been its reluctance to acknowledge changing trends and to continue to believe that it is in a better position than its clients to judge what is appropriate. Institutional predominance must be held partially to blame, with developers building to meet the demands of funds rather than of occupiers.

Preliminary market research backed by a detailed analysis of occupational requirements has enabled the more thoughtful developers to create property with an immediate appeal. This enhances the prospects of pre-letting and early income.

Liability

A benefit automatically extended to the latest generation of developers is the absence of large, historically-held portfolios, where deteriorating rental and capital performance can only be stemmed by a fresh (and sometimes substantial) injection of funds.

Several long-established investment groups have been slowly waking up to the fact that a growing proportion of their property portfolios is becoming a liability rather than an asset. This is only being reflected partially in current valuations and will have an increasingly crucial impact on performance.

Few major companies can claim not to own such properties but their presence is invariably seen as less important than management's ability to do something constructive about them.

The days of passive rent-collecting are over and active management is a crucial prerequisite for success. Some giants of the development sector are still perceived as too sleepy, although few have failed to embark on portfolio reappraisal aimed at weeding out problem properties.

Land Securities, the largest UK developer, which has an investment portfolio in excess of £2bn, provides an excellent example of the dilemma facing old-style companies in a rapidly-changing market. Any company of its size encounters difficulties in adding value to its income and asset profile at an above average rate. The principal method is the continual "massaging" of its portfolio.

Land Securities' efforts have, in the words of one stockbroker, been "fitful to say the least." In spite of the more active approach towards portfolio management, the City appears unconvinced that its recent period of underperformance is about to come to an end.

As the same broker commented: "No longer is it satisfactory simply to be the biggest within an industry that is demanding the best."

David Lawson and William Cochrane examine the main factors influencing markets and development trends

Land prices may burn fingers

Industry/ High-tech

A COUPLE of years ago, property investors and local planners started to receive a barrage of criticism from agents over their snail's-pace towards development of modern, flexible buildings to suit the needs of modern, high-tech industry. They seemed addicted to producing standard "sheds" more suited to distribution and old-fashioned production — even though vast numbers lay empty.

Today, to the horror of those agents, the message has been taken up with almost evangelical zeal. High-tech schemes are sprouting like weeds from almost every available site in the prosperous South. Land values have soared to £1m an acre in some parts of the Home Counties as institutions and developers scramble for the chance to offer shiny glass boxes in the expectation of rents of between £8 and £10 a sq ft.

The chorus of criticism is now raised about the possibility of over-supply and choice of the wrong sites in many cases.

"Fingers will be burnt," says Jones Lang Wootton.

The best high-tech schemes with all the attributes of flexibility, parking and—most of all—correct location will let at high rents, adds Clive Lewis & Partners but many sites considered worth £1m an acre will decrease in value by up to half to be sold for ordinary warehousing and industry.

Ironically, just as demand for traditional accommodation is reviving, they are being ignored or priced out by the soaring land values. And funds are being accused of pouring money into very secondary sites or developing so-called modern buildings that will not let.

"There will not be sufficient growth to justify prices being paid, and in many cases there will be more growth in well-located industrial and warehouse estates rather than inferior high technology building," says Grant & Partners.

Investors, however, are being driven onwards by the evidence of high rents achieved in schemes already built. Wordplex, for example, took 95,000 sq ft at Slough for £8.50 a sq ft and Hewlett Packard some 100,000 sq ft at Bracknell for £10 a sq ft. Clive Lewis points out that rents in these prime areas have grown from £5 or £6 a sq ft only two or three years ago.

Grant also points to the Rediffusion Simulation lease for 30,000 sq ft of shed with 50 per cent offices for £6.50 a sq ft at Airtech 1, Crawley, which compared with the normal £4.50 a sq ft for standard space, showing the interest in busy industrial areas. Yet the agent castigates planners for trying to latch onto the employment potential of high-tech by allocating unsuitable built-up sites in London.

While developers are concentrating on this rich sector, the tide seems to be turning a little for traditional property. Rents measured to last spring increased by more than inflation for the first time since 1979, according to the Debenham Tewson & Chinnocks annual survey—an average of 7.6 per cent for 24 centres around the country.

Take-up of space has improved, even though the King & Co census shows that available space had risen marginally to 135.3m by the summer. This take-up, plus the dearth of development outside high-tech, has led Hillier Parker to forecast that the continuous reduction in real rents that has persisted since 1979 should end this year, followed by a slight rise. At current prices this would mean a 6 per cent annualised rise between May 1985 and November next year.

Even in traditional property, however, most of the growth is in the South-east, and the North-South gulf is widening. Mr John Organ of Healey & Baker points out the two-tier nature of the market. In the South-east there will soon be a shortage of standard 5,000 to 10,000 sq ft units because of high land prices. Demand is also strong for 20,000 to 45,000 sq ft units with 25 per cent office space—half of it from overseas companies—and for 100,000 sq ft-plus warehouses near motorways.

Away from the motorways (particularly in the provinces) space remains unlet on speculative industrial estates. As an indicator of demand, land is in reasonable supply at prices from £20,000 to £100,000 per acre.

D. L.

Bias to South continues

Offices

A GENTLE improvement in demand for office space across the country has tended to be lost in the overhang of space which is proving increasingly unattractive to quality-conscious tenants and also in the flurry of activity in the South-east.

While the Healey & Baker rent index showed an 8.4 per cent growth for the country as a whole for the year to June, most provincial centres have been stagnating or realising increases from uneconomically low base levels. This continues a picture painted by Debenham Tewson & Chinnocks of only a handful of towns like Bristol, Glasgow and Manchester producing returns close to or better than inflation since 1981.

But strategic shortages in centres like Leeds are threatened as demand eats away vacant space with little development in store, so further increases in rents seem probable.

Frenetic activity in the City of London in reaction to the securities industry revolution has dominated the market, with Jones Lang Wootton's CLOR report showing a 176 per cent increase in take-up compared with a 47 per cent increase for central London as a whole in the first six months of this year.

Most demand has been for the large buildings suitable for combining new financial partnerships. These blocks tend to be clustered around the City fringes, raising fears that the core may suffer. Richard Ellis, however, expects prime rents to grow 10 to 15 per cent in the core this year, and have already reached £33 a sq ft.

The CLOR report says West End take-up of new space is down on the latter half of 1984, but Richard Ellis points out the decline of total supply from 5m sq ft to about 3.5m over two years and the rise in rents between £28 and £30 a sq ft in parts of Mayfair and St James's.

The M25 has boosted fortunes of the ring of centres around London, and the Western Corridor is continuing to net tenants at rents up to £15 a sq ft for the best buildings.

D. L.

The importance of image

Industrial development

WILL THE industrial property of the future be an amalgam of manufacturing, storage, r & d and office space, or is this just a way to inflate rents? Will the occupant want homely surroundings, or dramatic buildings in steel, plastic and glass?

Mr Paul Orchard-Lisle, president of the Royal Institution of Chartered Surveyors, says we will be talking about "employment property" in the future and worrying less about sub-classifications.

On shape and building forms, Mr Stuart Lipton, driving force behind the massive Stockley Park industrial development proposed west of London, says: "High-tech is low-tech in terms of building."

He and his advisers have studied modern industrial property across the U.S., finding that homely, brick-built exteriors, but office-type space, facilities and general levels of interior comfort seem to be the way forward.

Stockley Park's 347 acres are strategically located near the M4, M40 and M25, Heathrow Airport, the Intercity railway line to the West Country and two London Transport underground lines to Heathrow Central and Uxbridge.

The development team aims to create an inward-looking community related to open space amenities. It hopes to form a focus for the scheme by establishing a centre with shops, restaurants, a pub, bank, management and leisure facilities.

Expectations

Open spaces will include a golf course, playing fields, playground, equestrian facilities, a canalside park and opportunties for other users.

Gross floor area for the buildings on the site goes up to a maximum of 1.5m sq ft and Stockley's market research suggests certain characteristics in relation to technological industry requirements. Some of these include:

- Buildings with good natural light and only 60 ft wide.
- Groupings around courtyards.
- Parking screened by buildings and landscaping.
- Buildings related to open space amenities, especially water.

In a report for Stockley on the needs of modern industry, research consultants and space planners DEGW said that growing knowledge-based firms wished to establish themselves in the market by presenting an identifiable external image, and through the quality and character of buildings.

"Companies vary in their expectations depending on their stage of life," they said. "At infancy their main concern is to establish a product or service and survive. The thrill of establishing the company comes before concerns about the finer points as to the quality of the working environment, and plans cannot be formulated far ahead."

Later, during the "youthful" stage, individual entrepreneurship is all-important.

"But eventually systems are established, real estate policies formulated, and a concern emerges for the quality of the external image and external appearances.

"Maturity results in delegation to in-house premises specialists, in long-term real estate commitments, and a desire to reflect a distinct corporate image. At the final stage of an organisation becoming established, the stability of the corporation is reflected in the ownership of land and buildings, and procedures and standards are well established."

This might explain why some academic entrepreneurs are happy producing technological miracles in 20-year-old prefabs while a company like Merck Sharpe & Dohme Research Laboratories has rejected the "rural boffin" image.

Dr Malcolm Parry of the Surrey Research Park at Guildford, and until recently involved in research, says: "I've got a suspicion that the committed scientist can do what he wants to do anywhere. The choice of premises will depend on how many layers of marketing and administration he has on top of him."

Dr Parry says a research park creates its own image and may, therefore, not need glass and plastic architecture to appear modern.

The developer, clearly, is going to have to think about horses for courses when pitching for the high-tech market.

And will he be selling high-tech, or the collection of mixed manufacturing, r & d and office use that sometimes masquerades as it?

DEGW take a detached view. "In traditional industries the majority of space is given over to storage of raw materials and finished products, and to the manufacturing process in a single-function building," they say.

"In emerging modern industries there is a mix of functions; the manufacturing function takes up a smaller proportion of the total resources compared with the supporting functions of research, engineering design, marketing, customer service and product repair and customisation to meet local needs and regulations."

On growth prospects, their conclusions suggest flaws in any specialist approach to letting. "Expectations are that opportunities for growth will be in the high-tech sectors. However, it is clear that within the high tech growth sectors many companies are declining and that within the declining sectors individual companies are succeeding."

DEGW note that URBED's research for Stockley into the future of the London economy suggests that the answer to where growth may arrive lies not in a particular industrial sector or type of technology, but in the type of business which "can ride the waves of rapid change."

Successful companies appear to have several characteristics in common. They are: innovative, and concerned with the application of knowledge; Dependent on global connections; Sensitive to market trends and customer services; Specialist within precisely defined markets; and Committed to excellence.

Shells

DEGW conclude that the development at Stockley Park should provide:

- Small, flexible, units for infant, fast-growing firms, as well as large independent plots for mature and established firms to build to their own requirements.
- Flexible tenure arrangements to allow for growth and movement.
- Basic building shells which can be fitted out speedily to meet individual requirements. with overall cost savings.
- Support services and site management to ease the management burden of young companies and ensure the quality of the location for established companies.

Prospective tenants, DEGW discovered, wanted flexibility of use, adaptable spaces and room for services like information technology. Ease of subdivision and security attracted them to two and three-storey buildings with the capability of zoning into separate customer and staff areas. They also want room for expansion, adequate parking and space for deliveries.

Only three of 26 interviewees in the electronics, hardware, pharmaceutical, control and instrumentation, and information sectors considered landscaping and site image of first importance, although most assumed it to be desirable.

"The general attitude was that the companies were not looking for flashy modern or trendy high-tech buildings, which looked (and might be) expensive," DEGW say. "They were concerned to present a clean, uptodate, value-for-money image."

W. C.

Anxious eyes look out of town

Retail

THE SEEMINGLY insatiable appetite of the British public to buy almost everything shopkeepers will offer has been matched again this year by the parallel demand by owners for higher rents to match the increases in spending power. Consequently, the country's high streets remain a competitive hunting ground for investors, although average yields have twitched upwards in what may be the first signs of a realisation that the rise in returns cannot continue at such a rate.

Prime rents rose by 9.5 per cent in the year to June on the back of a 10 per cent increase in retail spending, according to Healey & Baker. The long-term attraction of the sector was shown by Debenham Tewson & Chinnocks' analysis that retail has shown a 21 per cent annual return since 1977 (8 per cent real annual) compared with the 12 per cent of the whole property sector.

Behind the almost casual acceptance of continuing improvement in income, however, anxious eyes are being turned to radical changes in the structure of the market. The trend to out-of-town developments—particularly the proposed retail or "jumbo" parks—is causing a few tremors among investors with money tied up in town centres. This is often invested at very low yields and will need some years of rising rents to make sense.

Nightmares about deserted town centres are unfounded, according to most analysts. Traditions of town-centre shopping for comparison goods are unlikely to alter in this country, Healey & Baker says. But better judgment on the prospects for each individual town centre will be needed when buying investments.

This is reflected in the fact that Debenham Tewson & Chinnocks doubts whether the recent spectacular rental growth in some provincial can be sustained in the face of continuing economic problems.

But the same need for care could be extended to more prosperous towns. Some 45 shopping centres are being built, and with new roads like the M25 competition is becoming increasingly intense for customers. Quality of property is becoming as important as location as an attraction for custom.

Decentralised retailing has become a market in its own right through three stages of evolution, H & B says: first were the DIY stores in converted warehouse on industrial estates; then came the still-popular purpose-built units on main roads, and now retail parks are forming. Rent levels for non-food stores are regional rather than local but cover a remarkably limited range from lows of £3.50 a sq ft in the provinces to £6 in west London.

Institutions are beginning to accept investments free of the old ties to warehouse rents, and Jones Lang Wootton says yields have fallen from between 9 and 10 per cent to 7 to 8 per cent. Foodstores are still difficult to finance and are usually finding their own cash to pay for sites at up to £2m per acre.

In the high streets, shortage of prime shops has brought premiums of £75,000 to £125,000 for standard units in centres like Reading, Guildford and Kingston, according to Mr Paul Gale of Smith Melzack. This shows that operators like fashion retailers and restaurant chains are unimpressed by moves out of town.

Central London has seen dramatic improvements with premiums of £100,000 to £200,000 the norm, and Hillier Parker points out that Oxford Street should see even better times ahead. It showed that real rent rises lag about a year behind increases in numbers of overseas visitors, so even if tourism growth falls off in 1986 the rise in income should continue.

D. L.

City at sharp end of revolution

Office development

THE CITY of London is at the sharp end of office property development. In recent years the advent of information technology, the power of the occupier, rising occupation costs and restricted development in the City core have led some pundits to revive the spectre of decentralisation — or even predict that City specialists will be working from computer terminals at home in future.

What does seem to have happened is that occupiers in the financial, professional services and similar sectors have confirmed their need for the big urban block, have become less choosy about locations and more exacting about the quality of accommodation.

"Unprecedented change is re-creating the City," say DEGW, research consultants and space planners, in a report for Rosehaugh Stanhope Developments, which is redeveloping Liverpool Street and Broad Street railway stations in partnership with the British Rail Property Board in a way that takes account of market changes.

Banks

"Growing internationalisation of trade, increasing foreign competition, reforms in the Stock Exchange and spectacular improvements in telecommunications and computing are combining to loosen traditional locational ties and to generate novel demands on buildings, in particular for highly serviced dealing floors, for large, clear, deep office floors, and specialised ancillary spaces for meetings and entertainment," DEGW says.

Internationalisation has meant that the number of foreign banks represented in London has risen from 135 in 1968 to 470 in 1984: that staff employed in foreign banks over the same period quadrupled from 9,000 to 39,000; and that foreign banks have significantly increased their share of City office floorspace.

Competition has brought in large U.S. and Japanese integrated merchant banks and securities companies like Goldman Sachs, Merrill Lynch and Nomura. And changes in City practice have led to the conglomeration of stockbrokers, jobbers, UK merchant banks and international investment banks, leading to a sudden demand for large units of new office space of superior quality.

Modern requirements mean buildings are no longer just so much square footage. "They are becoming the infrastructure of services on which the emerging financial services industry depends," DEGW say.

"Telecommunications place severe demands on buildings—particularly the need for standby power, clean and uninterrupted power supply, sufficient underfloor and duct space for cabling, easy access to cabling, and means of coping with high local heat loads from equipment by local air conditioning."

The main building features required by financial services industry are:

- A convenient (though not necessarily central) location and a strong and indentifiable building image.
- Floors of at least 10,000 sq ft of usable space and preferably up to 30,000 sq ft, with a depth of 50 to 55 ft window-to-window of relatively uninterrupted space.
- Structural floor-to-floor height preferably of 12 ft 9 in, and finished floor-to-ceiling height of at least 8 ft 6 in or preferably 9 ft.
- Well-serviced buildings with decentralised heating, ventilation and air-conditioning (HVAC), adequate vertical ducts, provision for raised floors, zoned control of lighting, power and HVAC.
- Value for money and low operating costs.

Dealing floors should be preferably 60 ft deep or more, and square, DEGW says. The structural grid should be at least 25 ft, with sufficient depth to allow for higher-than-average raised and stepped floors. Air conditioning should be able to handle high local needs for cooling and there should be space adjacent to the dealing area for telecom and data equipment rooms and adequate cabling.

The DEGW development at Liverpool Street, called Broadgate, will comprise four buildings totalling 925,000 sq ft of net space with typical floor sizes ranging from 21,000 sq ft to 45,000 sq ft.

Rosehaugh Stanhope say the 10-acre site has been planned not just as a series of blocks but mainly around the movement of the large number of pedestrians who would enter the site from the new station concourse.

The pedestrian route will be lined with shops and eating places. These routes include two new squares, the larger designed as an opening for the route.

The route will be reinforced by landscaping and changes of level within the square, which will serve as a focal point for the buildings. Central to the design of the larger square is a three-storey circular stone screen which will be extensively planted and will incorporate a restaurant and promenade at first-floor level.

Identity

Access to buildings around the screen will be for taxis and VIP vehicles, while private car parks and service roads will be below ground, essentially pedestrianising the area.

The larger square will form a natural amphitheatre for activities including open-air theatre, concerts, and ice skating.

"The 10-acre site at Broadgate is probably the last remaining City site large enough to create an identity all of its own, designed not as a typical city rent-slab, but as a place where every attempt has and will be made to create an atmosphere where people will want to be," Rosehaugh Stanhope says.

Inside the buildings will be oversized goods lifts and loading docks; and provision will be made for up-to-date communications technology. In addition to telephone, telex, facsimile lines and video conferencing, high-speed data links will be provided if required.

The buildings will be linked to a 24-hour central point for security, fire control and equipment maintenance.

Each building will be completed in shell condition. Occupiers can choose standard specification for such items as raised floors, suspended ceilings, lighting, etc., or have the floors fitted out to their own specification with a contribution from Rosehaugh Stanhope to the costs.

Special consideration has been given to energy efficiency and service charges are anticipated to be less than £3 per sq ft per annum.

Letting agents Jones Lang Wootton, Healey & Baker and Matthews Goodman & Postlethwaite have had a fair start to their endeavours, with Security Pacific leasing the whole of the 150,000 sq ft first phase of the development, and the financial services arm of American Express in for the 310,000 sq ft Phase 2.

W. C.

William Cochrane talks to some of the players in the property game

Building with the brothers

The Developer

MR DAVID LEWIS met the Beckwith brothers about five or six years ago while building up Balfour Beatty's building business in the South-east.

"I had no involvement in development at that stage," said the London & Metropolitan *Estates* chief executive. "I saw the opportunity to get some negotiated building work and the Beckwiths, *I suppose*, saw advantages in a link with a major contractor."

Mr Lewis gave up his construction activities about three years ago *to run London &* Metropolitan, a joint company formed by the Beckwiths' London & Edinburgh Trust and *Balfour Beatty*.

It operates in the same market as L&ET—retail, high tech, industrial and offices—and is now right at *the sharp* end with its 255,000 Ropemaker Place development in the City of London. This will *have an estimated value of* £100m on completion, has funding from Norwich Union, and provided a £27m building contract *for* Balfour Beatty.

Ropemaker was introduced to L & ET by agents Hillier Parker. "I happened to be *in Peter Beckwith's office the* day it came in. Five minutes later we were in the City *looking* at the site," Mr Lewis says. L & ET's willingness to let this one go may have been conditioned by the capacity of the companies' respective development teams at that point.

Mr Lewis is building a strong project management team. Ropemaker will be managed in-house — something L & M almost invariably does. But its project management ambitions go further than that.

"I am anxious to undertake project management on schemes *which* we are *not* developing ourselves." L & M project managed the Société Générale building at Gracechurch Street in the City, and it has another job in Reading.

"I have rejected the idea of outside project managers for our own developments," Mr Lewis says. "We can do *better ourselves,* and I am greatly attracted by having the whole range of management inside our organisation *so we can keep a finger on* the pulse of the industry."

On outside work, he says that L&M sees an opportunity in a sector "where we *think we can build up*, and produce volume." He rejects any suggestion that project management will be used as a cushion to keep the management team employed.

"I've not had many problems in keeping people *employed so far,*" he says.

And what of his relationship with Balfour Beatty, parent company and former employer, which invariably seems to get L&M's building work?

"We appoint a *quantity* surveyor from a range of candidates who will come up with a budget. We then *attempt to negotiate within* the budget. If we failed, we would go to tender."

He sees real value in the working relationship *with* Balfour, promoted on L&M's side by bringing in the builder at the earliest moment to contribute to the design.

On costs, he says: "It would be naive to say that we *could not shade our prices* by a very small percentage in the marketplace. But with most contracts, the sum tendered *is inevitably not the final* amount. Here, the budget and the final account are very similar."

David Lewis, chief executive of London & Metropolitan Estates

Jim Thornton, managing director of Ashby & Horner Team Contracts

Prudent should shop around

Funding Adviser

RICHARD ELLIS set up its financial services team a year ago with *a brief to* look a member of the team.

The team's brief was to look at the revolution in property *financing. It has concluded* that sale-and-leaseback forward commitment agreements with institutions ,so long the most common approach for most developers, *is no longer* the automatic choice.

According to the Central Statistical Office, net new investment in property by pension funds and insurance companies in 1984 was some £1.4bn, while total new bank lending to the property sector was some £1.1bn over the same period.

"The gap has closed considerably," says Mr Stephen *Barter*.

He concedes that the institutions' recent taste for other forms of investment may have something to do with this. But *the banks did not have to make* up the difference.

Availability of short and medium-term bank finance on a non-recourse or limited recourse basis, combined with increasing use of syndication with and without institutional involvement has produced a situation where prudent *developers can* and should shop around, not only between methods of funding, but between sources *of* finance.

RE emphasise that this is not the beginning of another money-push development *boom. Banks are selective* in their choice of schemes but, for the right project, will show imaginative flexibiltiy.

The team found *events pushing* them into considering the new emergence of the owner-occupier. In certain locations and for certain types of *occupier*, the costs involved in buying can compare favourably with those of leasing over the medium term, Mr Barter *says.*

This applies particularly within enterprise zones, in view of benefits including 100 per cent *capital allowances* on *construction.* However, the innovative application of certain types of financial instrument such as finance leases and corporate debenture stock issues to property development has encouraged many companies to consider owner-occupation in locations outside EZs.

There has been a reaction to the problems of government-sponsored developers like English Estates and the Welsh Development Agency, where recent valuations in remote locations have produced open-market values considerably less than the cost of developing the building.

However, RE says that provincial owner-occupied developments *can* be an *economic* proposition. "We have just done a major warehouse in the East Midlands for an inter*national company,*" Mr *Barter* says.

There may be a natural progression for the team from here into what Mr Barter calls the "tax property market" — enterprise zones, being one example and business expansion schemes another.

He sees a lot more to come in the funding area — innovations which will affect occupiers and investors, as *well as developers. RE says* the creation of an active market in unitised property investments within five years now seems likely.

"This gets *to* the hub of the City revolution," Mr Barter says. "Merchant banks and others from the financial sector are exploring this area from one end of the market. We are approaching it from the other."

Speculation on fitter furnishing

The Architect

FITTING OUT a *new* speculative development, only for the occupier to tear out the interior and start over again has *irritated many in the property* business.

Mr John Bevan, of architects GMW Partnership, thinks that *many developers* want a "spec" building which is all things to all people, so that letting agents can have the maximum scope.

"Agents like a marble *entrance hall, bronze mirrors* in the men's loo for emphasising sun tans and clear mirrors in the ladies for making-up," he quips.

Speculative offices should be fitted out only as shell and core before the space is let, but prototype areas of options should be *installed on a show floor,* illustrating different rental levels, Mr Bevan says.

Some agents say clients want to move in immediately to a speculatively fitted-out office. *But in* GMW's experience this does not always work because different clients have different needs. Often the spec scheme *has to be stripped out*, and other fittings installed at great cost and in a rush.

The funder will often specify the standard of building required *to protect* his investment, and occupiers found for that standard of development.

"However, *if* it is pre-let to a *big name* like *Boots,* Marks & Spencer or Safeway, the occupier will be in a position to specify what he wants the developer *to build*," Mr Bevan says.

In industrial buildings researchers are rarely conscious *of their suroundings and* probably not worried whether they are surounded by glass, plastic or brick.

"Brick *is* often talked about as a high-tech material," says Mr Bevan. "There is nothing wrong with brick, only in the way that it is used. The same *applies to plastic and glass.*"

Much depends on whether a client wants an image. For example, STC had operated on a 27-acre site at Foots Cray for years in sub-standard buildings developing high - technology products. GMW were asked to design a new wafer fabrication plant and *support* offices.

About 150,000 sq ft of office and production space were planned to a high specification but also to give the site a pro*gressive* and *confident* image, appropriate for a company hoping to sell state-of-the-art products in world markets.

The project, which is now under construction is predominantly in white surfaced metal panels with clean flowing lines, says Mr Bevan. Details *aim to project* an image of the precision and clinical cleanliness characteristic of the production process within.

Designs on high standards

The Contractor

THERE IS *nothing* new about contractors moving into property development. However, Ashby & Horner has been *around in building for* 250 years, and it took a suitably cautious view of its entry into property *development* last year.

Known for its contractor's expertise in City of London refurbs, A & H went to Hammersmith in partnership with Russell Management (Properties) to develop Vernon Mews, five *self-contained* office units totalling 8,500 sq ft.

Mr Jim Thornton, manag*ing director* of A & H Team Contracts, says: "The decision to move into promotion of developments was *prompted* by a *concern* to have more control over the workload, a desire to enhance profit and the discovery that *being* a *work-giver* eases relationships in the building team."

A & H also believes that *it* can have a positive input into the design of its developments. "The market is becoming more selective," *Mr Thornton* says.

Team Contracts acts as project manager. It does not carry out design work but selects the design *team for* each project with great care and expects consultants to work closely with A & H's craft subsidiaries on *specifications* and detailing.

"There is no reason why good design should cost significantly more than bad design," Mr Thornton says. "Any premium on building cost is compensated for by an enhanced sale price and a *faster* takeup."

Banked up for better analysis

The Economist

MOST OF Mr Rupert Nabarro's career was spent doing urban economic work for government departments before he went to consultants Roger Tym to do the same sort of work. He moved *into urban development* and inner city issues in places like Glasgow and Liverpool, and noted that there was a great deal of information about public money, but little on the private sector.

He became interested in the quality of information available to the property industry. "The classical economist's role of improving information available to markets was urgently required in the property *industry,*" he says.

The result was the Investment Property Databank, established to hold a record of the individual *property investments* of the major institutions. Information is held on a confidential basis so *it* is not possible to recognise the performance of any individual property or fund.

IPD is being funded jointly by agents Chestertons, Cluttons, Debenham Tewson & Chinnocks, Drivers Jonas, Savills and Weatherall Green & Smith, but the fundings can be bought by outsiders. Mr Nabarro is interested in whether the agents *will get most of the benefit, or* whether sectors like merchant and investment banks will use it to make their mark on the *property sector.*

Three types of information are being collected about each property:

- A description *of the* institution and fund owning the property, including its beneficiaries, size, property holdings, allocation *of money* to property and means of managing it.
- A description of individual properties will cover *their* address, tenure, property sector, location, site situation, building type, facilities, condition at purchase, age, method of acquisition, vendor and purchase price or development cost.
- An analysis of the main financial variables of each property for 1979-84 will cover capital value, rental value and *rent passing, its* usable and let space, annual capital and revenue expenditure, and (for shops) some details of Zone A returns.

IPD expects to hold the most detailed record of institutional property to *have been* assembled. Mr Nabarro expects the data to answer questions about trends in institutional *investment*, marketable size and market structure.

It should be able to show trends, perhaps expressed as *indices, in rents and capital* values for any market segment for which information exists, and *show yields in different* parts of the market.

It will also provide accurate information about rents, vacancies, purchase prices, etc, which can be used for background in investment decisions or for research to establish relationships between property performance and other variables.

Finally, it will provide a portfolio performance measurement service to contributing funds. Their own performance will be tracked against the total of *institutional investment* and they can compare the performance of any of their own properties with those in the market at large.

The groundwork has been going on for about a year. IPD expects to have collected records of some 5,000 properties *valued at £7bn by the end* of August. The first publications of IPD will commence in the late autumn and the compre*hensive analysis service will* be launched next spring.

Competition to lead the team

Project Manager

PROJECT managers co-ordinate development or construction schemes. They define the projects and reconcile requirements of client, design team, main and *sub-contractors, suppliers and specialist companies.* They have to find the correct method of achieving the best results in terms of cost, quality and time, *according to Mr Derek Hammond's* APC/PMI group.

The architect is traditional team leader, but surveyors can lay claim where marketing and funding are concerned and the *quantity surveyor* may be most appropriate when the project is essentially construction management for an owner-occupier. There are a number of other disciplines, or mixes of disciplines, which say they should fill the project *management* role.

A working party headed by Mr Ian Northen of Capital & *Counties, president of* the planning and development division of the Royal Institution of Chartered Surveyors will look at the development and promotion of *the surveyor as project* manager.

His experience with CapCo suggests that that overall control of a project, especially *when it is speculative and brings* in the marketing angle, is best left to the general practice surveyor. For construction management the quantity surveyor would *probably* be best, although he does not rule out an engineer in this role.

CapCo was appointed project manager of the Crown Estate's £18m Victoria Street *office*, shop and residential development this year, after the completion and letting of the Commissioners' mixed development at *Oxford* Street which it also managed.

Mr Brian Jolly, *development* manager, says a development company has to decide whether project management pays divi*dends to shareholders*. CapCo does not volunteer for this sort *of* work for this reason, but the Crown is an important landlord and the right sort *of project* can give a useful education.

"Victoria Street has been challenging," Mr Jolly says. "We have not been in the vanguard of steel-framed buildings, so we have learned a great deal from this job."

Mr Rodney Pollard, property investment manager at Royal *London* Mutual Assurance, says the fund occasionally uses a developer as a project manager. This is happening with Mr Ken Cooper, of Russell Management, who found the Swindon site for Royal London's high-tech development called 3S2.

The fund manages some of its own schemes using what Mr Pollard describes as an in-house generalist—a surveyor within his own team.

When Royal London looks outside it usually opts for a quantity surveyor.

"There are some funds which [illegible] employ outsiders, and *tend to go for the general prac*[illegible] surveyor — but we have done that, too," he says.

[illegible] instance Royal London's major redevelopment and re[illegible]shment of Triton Court on the northern fringe of the City of London was managed by surveyors Richard Ellis.

Colourful contrast need not be costly

Interior Designer

SOME £25m was spent on a 150,000 sq ft neuroscience research centre at Harlow, Essex, by Merck Sharp & Dohme Research Laboratories.

As the centre was being built, the company began to have second thoughts about the internal design. "We bought a *parkland-type setting*, and wanted an exterior which would blend with it, but we decided that the interior should be completely different," the company said.

"If it were the same — rustic, woody, brick-faced—there would be no change of scene for the employee in going outdoors."

The working environment for the planned 220 staff had to be efficient, functional and up-to-date—but also pleasant.

Much of the work on designs and detailed specifications by consultants David Leon & Partners was limited to colours, furnishings and accessories because building work was already well under way.

Leon say that modern industries in *general want* forward - looking design. "International organisations operate in a sophisticated and dynamic world. They are receptive to the use of innovative materials and technological advances," the designers say.

Merck emphasises that the design decision was taken for the benefit of staff and adds that good design is not such a costly business as some fear.

"People associate what is pleasant with cost but you can *change* the colour of paint and the cost stays the same."

THE PROPERTY MARKET BY WILLIAM COCHRANE

Mattel squares the circle

THE numbers are against industrial development north of Watford. Geoffrey Castle, senior partner of agents Dron and Wright, notes that developers are finding it difficult to obtain adequate returns.

Because of high interest rates, he says, they have needed a yield of over 12 per cent on total costs. "The rental levels in many areas north of the South East are little more than £2 per sq ft," he says, "which would not show a sufficient return on building costs, let alone site costs. . ."

So speculative development, with a view to instiutional funding, is a very difficult proposition. And the owner occupier? Mr Castle points out the recent valuations for the Welsh Development Agency and English Estates have produced open market values considerably lower than development costs.

Mr Castle is concentrating on factories, rather than warehouses, and he is not saying that industrial development is impossible north of the Watford line. But it is clear that prospective occupiers, as well as developers, will have to be resourceful.

Mattel, the U.S. toy manufacturer, briefed Richard Ellis to find a site to house its UK warehousing, operations, finance, sales, administration, marketing and a showroom. "We looked at the M4," says Hugh Ellingham of RE's financial services division; "it didn't stack up in terms of cost and it was in the wrong location for central distribution."

So the team when for the AH Wilson Group's Meridian Park, flanking the M1 near Leicester. Geographical location was an obvious first attraction. A greenfield site was the second: "We shouldn't see any redevelopment going on there for 20 years or more," says Mr Ellingham.

The building is 96,000 sq ft, including 16,000 sq ft of offices, on 7 acres of the 72 acre park—which could be due for an extension. The warehouse is 80,000 sq ft of that, but it is 40 ft high which gives it a 3.2m cubic ft content which Mattel can exploit with modern racking systems.

Mr Ellingham contends that if Mattel had gone for institutional funding and a lease it would have had to be content with 20 ft of eaves or not much higher, and racking systems costing at least 1½ times as much.

Like Mr Castle he thinks he would have been looking at double figure funding yields with restrictive clauses on any lease, whereas the package which Mattel and Ellis have tied up for the £3.9m building is for a medium term (seven year) Bank of America loan with a three year holiday on repayment of capital and the ability to buy out the loan early.

"That gives us the ability to lease to someone else and retain the investment; to lease part of the building; to sell the freehold vacant to another occupier; to sell and leaseback; and so on," he says.

In terms of costs, the building's height makes all the difference. Taking in the offices, the cost for the entire building is £40.62 a sq ft. But Mattel has given itself the equivalent of a 176,000 sq ft building in terms of cubic capacity, bringing the cost per sq ft down to £22.16.

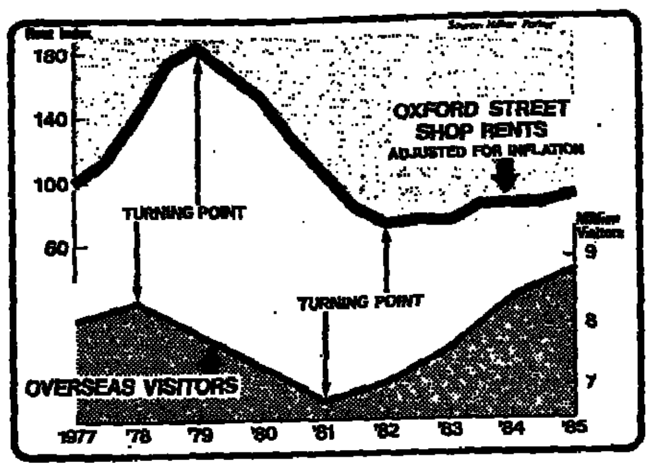
"Building costs alone are, say £20 to £22 a foot for a standard building," says Mr Ellingham. "Our figure includes land, building and finance costs, the developer's profit and professional fees."

Then there is the question of valuation. Mr Ellingham has done his sums on both 8 per cent, and 10 per cent investment yield bases. Again, on the basis of 96,000 sq ft the rent would have to be £3.25 a sq ft on an 8 per cent basis, and £4.06 at 10 against a conventional unit rent which he estimates at between £2.25 and £2.50 a foot.

Adjusting for cubic capacity Mattel's figures come out at £1.77 and £2.22 per sq ft respectively, which suggests to him that the building will hold its value.

John Coulter, managing director of Mattel UK, says that the company's total investment will be £4.2m, with its racking and fork-lift trucks all leased. Other owner-occupiers might spend 2½ times the property cost on the building's contents, making property a less important factor in the overall investment.

Tourist trophy



THE chart above, says Hillier Parker research chief Russell Schiller, shows a clear relationship between the number of overseas visitors to London and the movement of inflation adjusted shop rents in Oxford Street, the prime West End pitch.

If this relationship holds, it would suggest that Oxford Street shop rents should continue to rise ahead of inflation for the next year, even if the number of overseas visitors peaks in 1985.

Fleet National Bank move

FLEET National Bank, London offshoot of the U.S. $6bn Fleet Financial services group of New England, has taken a lease on 40/41 St Andrews Hill in the City of London in a move which has virtually cut its occupational costs in half.

Advised by Noel Alexander and Partners, Fleet was last reported to be moving out of 52 Cannon Street where it had leased one floor of 4,060 sq ft and was paying a service charge reputed to be in the area of £8 to £9 a foot.

St Andrews Hill, recently the subject of a major refurbishment by CNC Developments, gives Fleet 3,200 sq ft of self-contained, period space; overall running costs are estimated at just over £100,000 a year against upwards of £195,000 for Cannon Street.

Accountant seeks pole position

THE CITY revolution, the scope for takeover bids in the property company sector, the RICS's unitisation plans, and the emerging problem of obsolescence suggest that the accountant will have a bigger role to play in tomorrow's property industry.

Phillip Sober, recently appointed senior partner of Stoy Hayward, is aiming for pole position. The firm, part of the Horwarth and Horwarth international network of accounting firms, claims to be one of the leading accountants in property—"We'll let other people say that we're No. 1," he says.

On the City revolution, he thinks that as the financial services market gets broader and broader, it will be important for accountants to define their services more specifically—"to become expert, specialists in our field...we cant be all things to all men," he declares.

Adviser to the British Property Federation since 1973-74, he expects to advise on takeover, or bid defence strategy.

His strong views on the capitalisation of development interest—"I do believe that proper capitalisation is essential in arriving at true costs"—is a reminder, if one were needed in the context of the simmering Stockley/Stock Conversion situation, that fashions change in accounting, as well as in the stock market.

Haslemere signs Merrill Lynch

HASLEMERE Estates and Trustee Savings Bank Pension Scheme have let the remaining floors of their new 60,000 sq ft office development at Sherborne House, 119-121 Cannon Street in the City of London, to Merrill Lynch Europe for close to the asking rental of £32 per sq ft.

Merrill Lynch, advised by Jones Lang Wootton, has signed a new 25-year lease for 23,000 sq ft, in which it will base its UK equities operation. Hillier Parker, Collier & Madge and Gerald Archer & Co acted jointly for Haslemere and TSB Pensions.

● Woolgate Property Finance, in the first deal since its team left Chase Manhattan, has arranged a £5m syndicated bank and equity finance facility for Sheraton Securities International, to develop some 70,000 sq ft of high tech space next to British Caledonian headquarters at Crawley, West Sussex.

● This week, as the London Borough of Havering decided to nominate J. Sainsbury/Trafalgar House as the council's preferred development team for the Mercury Gardens site in Romford town centre—incorporating a 75,000 sq ft superstore, speciality shopping and parking for 1,000 cars—Tesco got planning permission on appeal for a 65,000 sq ft superstore with 600 car park spaces on a seven-acre site at Roneo Corner.

The council, advised by Hillier Parker, had apparently bitten the bullet on superstore provision; but it wanted its sites scattered, rather than centralised as the Tesco permission seems to achieve. King & Co acted for Roneo Alcatel.

● Record demand for office accommodation and severe pressure on industrial space is reported by Drivers Jonas in its half-yearly "Aberdeen Commercial and Industry Property Survey."

● Langley-Taylor, acting for Sears Holdings and Samuel Properties as joint investors, have let a 210,000 sq ft office development close to Los Angeles International Airport to Hughes Aircraft Corporation. Marketing began less than three months ago and the rent is in the region of $20 per sq ft.

● Following its takeover of Trident Life, already based in Gloucester, Imperial Life Assurance of Canada is to establish a new 100,000 sq ft headquarters office on the city's 70 acre Barnwood Fields site, say selling agents Bruton Knowles. Debenham Tewson and Chinnocks acquired the seven-acre site for its Canadian principal.

Company Notices

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated with limited liability in the Republic of South Africa)

PROFIT ANNOUNCEMENT

FINANCIAL

The audited results of the Group's operations for the year ended 30 June 1985 are as follows:-

	12 months ended 30 June 1985	12 months ended 30 June 1984
INCOME STATEMENTS		
Turnover	2 138 889	1 867 472
Operating income	1 563 034	1 521 018
Dividends received	234 000	
	1 797 034	1 521 018
Interest paid	55 342	1 085
Net profit before tax	1 741 692	1 519 933
Taxation	762 846	829 872
Net profit	978 846	690 061
Outside shareholders share of loss in subsidiary	2 574	1 956
Profit attributable to ordinary shareholders before extraordinary item	981 420	692 017
Extraordinary item	165 600	3 438 000
	815 820	4 130 017
Transferred from/(to) non-distributable reserve	165 600	(3 438 000)
	981 420	692 017
Retained income brought forward	1 284 675	894 158
	2 266 095	1 586 175
Dividends	321 600	301 500
Retained income	R1 944 495	R1 284 875
Earnings per share (cents)	48.8	34.4
Dividends per share (cents)	16.0	15.0
Dividend cover (times)	3.1	2.3
	30 June 1985 R	30 June 1984 R
BALANCE SHEET		
Capital Employed		
Ordinary shareholders funds	5 925 645	5 431 425
Deferred taxation	1 171 835	979 292
Outside shareholders loans	151 314	152 810
Outside shareholders interest	348 368	350 940
	R7 597 162	R6 914 467
Employment of Capital		
Fixed assets	89 772	120 823
Freehold property	4 106 967	4 142 184
Investment—listed	3 312 000	3 312 000
Current assets	1 371 492	1 443 667
	8 880 231	9 018 684
Less:		
Bank overdraft/short term loans		325 840
Other current liabilities	624 061	420 718
Deferred profits and provisions	659 008	1 357 659
	R7 597 162	R6 914 467
Number of ordinary shares in issue	2 010 000	2 010 000
Net asset value per share	R2 95	R2 70
Actual borrowings	Nil	R325 840
Permitted borrowings	R5.9 million	R5.4 million
Market value of listed investments	R4.2 million	

DECLARATION OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that dividend No. 83 (final) of 9 cents per share (1984—8 cents) for the year ended 30 June 1985 has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 4 October 1985 and to persons presenting Coupon No. 183 detached from Share Warrants to Bearer.

Warrants in payment will be posted from the Johannesburg and London offices on or about 8 November 1985 to members at their registered addresses or in accordance with written instructions received and accepted by the company on or before 4 October 1985.

Non-resident shareholders' tax at the rate of 15% will be deducted from dividends payable to members whose addresses in the register of members are outside South Africa.

The conditions applicable to this dividend can be inspected at the Johannesburg and London offices of the company.

For the purpose of determining those members entitled to participate in the above dividend, the share transfer books and register of members will be closed from 5 to 11 October 1985, both days inclusive.

ENCASHMENT OF COUPON No. 183

The dividend on shares included in Share Warrants to Bearer will be payable on or after 11 November 1985 to the persons presenting Coupon No. 183 at the London Office, 21 Southampton Place, London WC1A 2BQ or at the office of Credit du Nord, 6-8 boulevard Haussmann, 75009 Paris. Coupons presented at the London Office must be deposited four clear days before being paid and unless accompanied by Inland Revenue declarations, will be subject to a deduction of United Kingdom Income Tax.

NOTICE OF EIGHTY-NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eighty-ninth annual general meeting of members will be held in the board room, 2nd floor, 25 Wellington Road, Parktown, on Friday, 25 October, 1985 at 9 am.

For the purpose of determining those members entitled to attend and vote at the aforementioned meeting, the transfer books and register of members will be closed from 19 to 25 October 1985, both days inclusive.

J. W. MACKENZIE
J. A. F. WHITE
Directors

Registered Office:
25 Wellington Road,
Parktown 2193.
20 September 1985.

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 22nd August, 1985, NOTICE is now given that the following distribution will become payable on and after 16th September, 1985, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION	6.25	CENTS
LESS 15% U.S. WITHHOLDING TAX	0.9375	CENTS
	5.3125	CENTS PER UNIT
CONVERTED at 1.3015 =	4.08182	PENCE PER UNIT

Barclays Bank PLC
Securities Services Department
54 Lombard Street, London EC3P 3AH

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 75

With reference to the notice of declaration of dividend advertised in the Press on 21st August, 1985 the following information is published for holders of share warrants to bearer.

The dividend of 15 cents per share was declared in South African currency. South African non-resident shareholders' tax at 1.7523 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 13.2477 cents per share.

The dividend on bearer shares will be paid on or after 1st November, 1985 against surrender of Coupon No. 75 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:
L'Europeenne de Banque
21 rue Laffitte
75428 Paris
Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels
Societe Generale De Banque
3 Montagne du Parc
1000 Brussels
Credit Suisse
Paradeplatz 8
8021 Zurich
Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich
Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle
Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 25th October, 1985, at the United Kingdom currency equivalent of the rand currency value of their dividend on 30th September, 1985, or
(ii) in respect of coupons lodged after 25th October, 1985, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 am and 3.00 pm.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 10.5 cents per share in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency cents per share
Amount of dividend declared	15.0000
Less: South African Non-Resident Shareholders' tax at 11.682%	1.7523
	13.2477
Less: UK income tax at 18.318% on the gross amount of the dividend of 15 cents	2.7477
	10 5000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

20th September, 1985

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.318% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.682%.

De Beers
De Beers Consolidated Mines Limited

TDK CORPORATION
(CDRs)

The undersigned announces that as from 24th September 1985 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div.cp.no. 22 (accompanied by an "Affidavit") of the CDRs TDK Corporation, each repr. 100 and 1,000 shs., will be payable with Dfls. 22,17 net per CDR, repr. 100 shs. and with Dfls. 221,70 net per CDR, repr. 1,000 shs. (div. per record-date 05.31.1985; gross Yen 20,- p.sh.) after deduction of 15% Japanese tax = Yen 300,- = Dfls. 3,94 per CDR, repr. 100 shs., Yen 3,000,- = Dfls. 39,40 per CDR repr. 1,000 shs., Without an Affidavit 20% Jap. tax = Yen 400,- = Dfls. 5,26 per CDR, repr. 100 shs., Yen 4,000,- = Dfls. 52,60 per CDR, repr. 1,000 shs., will be deducted. After 12.31.1985 the div. will only be paid under deduction of 20% Jap. tax with resp. Dfls. 20,85; Dfls. 208,50 net. per CDR, repr. resp. 100 and 1,000 shs. each, in accordance with the Japanese tax regulations.

Amsterdam, 10th September 1985
AMSTERDAM DEPOSITARY COMPANY N.V.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN FUJITEC CO., LTD.

NOTICE IS HEREBY GIVEN that pending the payment of a cash dividend to shareholders of record date September 30, 1985, the shareholders' register will be closed for the period October 1-31, 1985 and during this period it will not be possible to register the transfer of shares against the surrender of EDRs.

Furthermore, it has been declared that the shares will be trade ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1985.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 10 will be used for collection of this dividend.

CITIBANK, N.A., London, Depositary.
September 20, 1985.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN AJINOMOTO CO., LTD.

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date September 30, 1985. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1985.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 11 will be used for collection of this dividend.

CITIBANK, N.A., London, Depositary.
September 20, 1985.

BANQUE NATIONALE DE PARIS

U.S.$300 MILLION FLOATING RATE NOTES 1985/2005

The amount of interest for the interest period beginning on April 17, 1985 and ending on October 17, 1985, as fixed by the reference agent, will be U.S.$4,254.51 per U.S.$100,000 Notes, being a rate about 8.3695 per cent.

SPANISH 4% EXTERNAL LOAN (1974 ISSUE)

The coupons due 1st October 1985 may be presented for payment at BANCO EXTERIOR, U.K., 60 London Wall, London EC2P 2JB, between the hours of 10 a.m. and 2 p.m.

London,
20th September 1985.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON SHINPAN CO., LTD.

NOTICE IS HEREBY GIVEN that pending the payment of a cash dividend to shareholders of record date September 30, 1985, the shareholders' register will be closed for the period October 1-31, 1985 and during this period it will not be possible to register the transfer of shares against the surrender of EDRs.

Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1985.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 17 will be used for collection of this dividend.

CITIBANK, N.A., London, Depositary.
September 20, 1985.

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For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

Contracts and Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(National Oil Exploitation Company)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploration Company)

NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS NUMBER 0247 OW/MF

The National Oil Exploitation Company is launching a National and International Open Call for Tenders for the supply of the following:
Lot — Rock Bits.
This Call for Tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries, in conformity with the provisions of the Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.
Tenderers interested in this Call for Tenders may obtain the specifications from the following address:
ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH
ALGIERS, ALGERIA
Direction des Approvisionnements (Supplies Division)
for the amount of 400 Algerian Dinars, with effect from the date on which this notice is published.
Offers, of which five (05) copies should be prepared, must be sent in a closed double-sealed envelope by registered mail to the Secrétariat de la Direction des Approvisionnements (Secretariat, Supplies Division) at the above address.
The outer envelope should bear no mark that might identify the tenderer, or any heading, and should read: "AVIS D'APPEL A LA CONCURRENCE OUVERT NATIONAL ET INTERNATIONAL No. 0247 OW/MF—CONFIDENTIEL—A NE PAS OUVRIR" (National and International Open Call for Tenders No. 0247 OW/MF—Confidential—Do Not Open).
Tenders must be received within 45 days after this notice is published.
Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploration Company)

NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS NUMBER 779/1K/MF

The National Oil Exploitation Company is launching a National and International Open Call for Tenders for the supply of the following:
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Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Exhibitions

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificient late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman Baths. Now a museum, it houses medieval works of art: Goldsmiths' work, carved altarpieces, ivories, fabrics, with two English Royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs topestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painlevé, Métro Odéon.

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 29.

WEST GERMANY

Münich, Villa Stuck, Prinzregentenstr. 60: A retrospective of the works of Otto Dix with 472 oil paintings, aquarelles, graphics and drawings from between 1891-1969. It is the biggest assembly of his works ever. Ends Oct 27.

Emden, Ludolf Backhuysen-Gesellschaft, Rathaus am Delft retrospective of Ludolf Backhuysen, born in Emden, with his characteristic sea and city landscapes from 1631 to 1708. Ends Oct 15.

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1–2: Nofret, the exhibition covering Women in Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov.

Aachen, Suermondt-Ludwig-Museum, Wilhelmstr. 18: 100 drawings, watercolours and plastics from Joseph Beuys, covering the fifties and sixties. Ends Sept 29.

Essen, Villa Huegel, Auf dem Huegel: Turkish culture and art from the Osman Empire. 500 works ranging from the 15th-19th centuries. The show includes glass, carpets, ceramics, miniatures and weapons. Ends Oct 27.

BRUSSELS

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

ITALY

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Rome: Palazzo Venezia (Piazza Venezia 3): Paesaggio Con Nigura – 57 works from the Borghese collection. The Villa Borghese, which houses one of the best patrician art collections in Rome, is likely to be closed for repairs for at least another year and some of the gems from the collection have been transferred to this site for the summer. Includes works by Titian, Veronese, Domenichino, Caravaggio and Dosso Dossi. Ends Sept 30.

Milan: Palazzo della Triennale: Alfa Romeo: A celebration of the company's first 75 years with photographs of key figures from its past, with project designs and vintage models. Ends Oct 30.

Florence: Museo di Storia della Scienza: A History of Spectacles. More than a hundred pairs of glasses from the Zeiss foundation (in E. Germany). This is the first time the collection has been shown publicly. Exhibition also includes engravings by Durer, Rembrandt and Japanese artists. Ends Jan 11.

Padua: Palazzo della Ragione: Halley and Giotto in the Cosmos. The first stop for an exhibition celebrating Halley's comet. Examples of the sophisticated instruments used to trace and examine the comet. Ends Oct 27.

NETHERLANDS

Amsterdam, Stedelijk Museum: Posters illustrating the work of a new generation of Japanese designers and art directors. Ends Oct 27.

Nijmegen, Commanderie van Sint Jan: From 1960 to 1974 Joseph Beuys made a trademark of crosses done in brown paint. The present Braunkreuz exhibition traces the evolution from the single cross used almost as an afterthought to the high reliefs of the later panels. Ends Oct 13.

The Hague, Gemeentemuseum: A glimpse behind the scenes of 18th-century opera production, with prints, drawings and scale models illustrating set design, costumes, stage machinery, and the use of gesture to heighten the dramatic action. Ends Nov 10.

SPAIN

Madrid: King Juan Carlos will inaugurate an exhibition of 100 paintings, drawings and waxes by Spanish cubist painter Juan Gris. The selection includes paintings from private collections and museums in the U.S. and Europe. Biblioteca Nacional, Sala Picasso, Madrid.

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/23978).

NEW YORK

Metropolitan Museum of Art: The travelling show India, arrives from Washington with 350 examples of six centuries and numerous flourishing periods of art and craft. Ends Jan 5.

National Academy of Design: Culled from the larger Royal Academy exhibit, this view of Edward Lear's prolific career covers not only the famous illustrated limericks and verse but also landscapes and ornithological studies. Ends Nov 3.

WASHINGTON

National Museum of American Art: 35 paintings by Alexander Hogue capture the American Southwest through dustbowl and prairie in highly stylised evocative works from the 1920s to the present. Ends Nov 3.

TOKYO

Spanish Paintings of the 16th and 17th centuries: 45 oils by masters such as El Greco, Murillo, Velasquez, Zurbaran. Religious paintings dominate, but the exhibition is well designed, heavy, dark paintings relieved by the light decor and simple lines of the gallery. The bizarre but powerful Bearded Mother of Josede Ribera is interesting. Seibu Art Museum. Seibu Department Store. Ikebukuro branch. Ends Oct 13. Closed Thur.

Modigliani: 130 works in oils, watercolours, and sculptures. National Museum of Modern Art, Kitanomaru Park (near Palace and Imperial Hotels and parts of Tokyo's oasis near the Imperial Palace). Ends Sept 29.

Music

LONDON

Ivo Pogorelich, piano: Bach and Chopin, Barbican Hall (Mon). (638 8891).

Philharmonia Orchestra conducted by Giuseppe Sinopoli with Andrei Gavrilov, piano. Bach, Bach/Webern, Ravel. Royal Festival Hall (Tue). (928 3191).

London Symphony Orchestra conducted by Gerard Schwarz with Carol Rosenberger, piano. Beethoven and Stravinsky. Barbican Hall (Thur).

PARIS

Washington's National Symphony Orchestra conducted by Mstislav Rostropovitch: Berlioz, Debussy, Shostakovitch (Mon). Salle Pleyel (563 8873).

Monteverdi Choir and Soloists, The English Baroque Soloists. John Eliot Gardiner: Händel's oratorio – Israel in Egypt (Mon). TMP-Chatelet (233 4444).

Nouvel Orchestre Philharmonique conducted by Heinrich Hollreiser: Bruckner's Symphony No 5 (Tue). Théatre des Champs Elysées. (723 4777).

Paul Kuentz orchestra and choir: Mendelssohn – Paulus (Tue). Saint-Severin Church (633 8761).

Orchestre de Paris conducted by Daniel Barenboïm. Jessye Norman, soprano, Gary Lakes, tenor, Matthias Hoelle, bass: Wagner (Wed). Salle Pleyel (563 8873).

ITALY

Venice: Gran Teatro la Fenice (music biennale): A concert conducted by Pierre Boulez, with Phyllis Bryn-Julson (Mon); Boulez includes Berio's Circles and Le Marteau sans Maitre be Boulez (Tue). (25 191).

Milan: Teatro Alle Scala: Carlo Maria Giulini conducts the violinist Salvatore Accardo in Beethoven and Schumann (Thur). (80 91 26).

NETHERLANDS

The Fourth Hague Bach Festival commemorates the tercentenaries of Bach and Händel. Chamber music from the La Petite Bande ensemble in the Schönberg Zaal of the Royal Conservatory (Juliana van Stolberglaan 1). (Tue); and from Sonata da Camera in the Gotische Zaal (Paleisstraat 3). (Wed). Händel's Acis and Galatea in the Nieuwe Museon (Stadhouderslaan 41), directed by Mireille Pédaugé, with Chris Farr conducting the Camerata Amsterdam (Thur). (65 68 06).

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Edo de Waart, with Theo Bruins, piano. Satie/Debussy, Van Baaren, Rachmaninov (Tue). (71 83 45).

VIENNA

Chamber Music with the Vienna Bach Soloists. Bach, Händel. Minoritenkirche (63 55 75). (Thur).

Chamber Music evening with Thomas Goldschmidt. Bach. Musikverein Brahms-Saal. (Tue and Wed).

Mozart Boys Choir. Mozart, Haydn, Schubert. Evangelische Kirche. (Wed).

Clemencic Consopt led by Rene Clemencic. Handel. Musikverein Brahms-Saal. (Thur).

TOKYO

Japan Philharmonic Symphony Orchestra conducted by Akeo Watanabe. Jean-Jacques Kantokow (violin), Mari Fujiwara (cello): Brahms, Sibelius, Toyama, Tokyo Bunka Kaikan. (Tue). (980 6060).

Panocha Quartet: Mozart, Schubert, Dvorak. Tokyo Bunka Kaikan, Small Hall (Wed). (235 1661).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti opens the season with cellist Lynn Harrell in a programme of Tchaikovsky, Shostakovich, Beethoven (Thur). (435 8122).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Gary Graffmann, piano. Korngold, Schubert (Tue); Zubin Mehta conducting, Nikita Magaloff piano. Schnittke, Rachmaninoff, Stravinsky, Tchaikovsky (Thur). Lincoln Center (874 2424).

Carnegie Hall: Vienna Philharmonic conducted by Lorin Maazel. Mozart, Stravinsky, Brahms (Thur). (247 7459).

Theatre

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

NETHERLANDS

Amsterdam, Carre Theatre: Ik Jan Cremer, a new rock opera charting the amorous exploits and general hell-raising of the Dutch *enfant terrible* of the 1960s. Directed by Franz Marijnen from a script by Lennart Nijgh and Louis Ferron, with score by Gerard Stellaard and Peter Tuinman in the title role (Tue to Thur). (225 225).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach; but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Schubert lieder recital with Dietrich Fischer-Dieskau accompanied by Hartmut Höll. Fidelio is a Jean-Pierre Ponnelle production with Peter Hofmann as Florestan and Deborah Polaski. Cosi fan tutte, sung in Italian, features Angela Denning and Alejandro Ramierez. The Magic Flute rounds of the week. (34 381).

Hamburg, Staatsopera: Der Barbier von Sevilla, with Rachel Joselson and Ruggero Raimondi. La Bohème has Katia Ricciarelli excelling in the part of Mimi. The Magic Flute is a well-done repertoire performance. Kurt Moll is brilliant as Osmin in Die Entführung aus dem Serail. (351 151).

Frankfurt, Opera: Der Fliegende Holländer is conducted by Judith Somogi. Berlioz' Die Trojaner returns. Dido and Aeneas has Glenys Linos and Valentin Jar as leads. Also, Der Zigeunerbaron. (25 621).

VIENNA

Staatsoper: Smetana's Die Verkaufte Braut conducted by Kout with Popp, Lotte Rysanek, Ridderbusch; Cosi fan tutte conducted by Kout with Coburn, Daniel, Watson; La Traviata conducted by Segerstam; Raimonda by Glasunov and Nurejev conducted by Schirmen. (53 24/26 55).

Volksoper: Kalman's Die Csardasfuerstin; Die Fledermaus; Die Verkaufte Braut; Lortzing's Der Wildschütz; Milloecker's Der Bettelstudent. (53 24/26 57).

NETHERLANDS

Amsterdam, Stadsschouwburg. The Netherlands Opera launches it new season with a double bill. Zemlinsky's Geburtsdag der Infantin and Dallapiccola's Il Prigioniero directed by David Allen, sets and costumes by Frank Raven. Edo de Waart conducting the Netherlands Philharmonic, the Opera Choir under Johannes Mikkelsen. Casts headed by Neil Rosenshein and Thea van der Putten, and Els Bolkestein and Jan Derksen (24 23 11).

Utrecht, Muziekcentrum Vredenburg. Dance of the Nagas from India (Tue). (31 45 44).

PARIS

La Belle Hélène conducted by Yan Pascal Tortelier/John Burdekin in Jerome Savary's production with Sandra Brown/Madelyn Renee in the title role, Jerome Pruett/Georges Gautier as Paris and Marie-Christine Porta/Veronique Dietschy as Oreste inaugurates the new season at the Opéra Comique. (296 0611).

SPAIN

Seville, The Spanish National Ballet: Concerto Barroco. Choreography by George Balanchine to Bach: Claustro del Monasterio de San Jeronimo de Buenavista. (Tue).

Madrid, Real Madrid football stadium: Open Air concert. Free entrance, organised by El Corte Ingles, presents Luis Cobos conducting the Royal Philharmonic Orchestra with popular Spanish music: Pasadobles and Zarzuela arranged by Cobos. American Robert Mandell will conduct orchestra to accompany Spanish tenor Jose Carreras. Repertoire will include West Side Story. Spanish ballet dancers, arranged and choreographed by Carl Davis. (Tue).

NEW YORK

Metropolitan Opera (Opera House): Tosca conducted by Carlo Felice Cillario with Monserrat Caballe, Luciano Pavarotti and Cornell MacNeil opens the new season, followed by Jenufa conducted by Vaclav Neumann of the Czech Philharmonic and Falstaff in Franco Zeferelli's production conducted by James Levine. Lincoln Center (362 6000).

New York City Opera (NY State): Frank Corsaro's new production of The Love for Three Oranges has the sets by Maurice Sendek created for Glyndebourne in 1982. It features Diana Walker singing Ninetta, Joyce Castle as Fata Morgana and John Lankston as Truffaldino, conducted by Christopher Keene. Manon, conducted by Jose Serebrier, was last seen in this production by Tito Capobianco in 1980. The week includes La Cenerentola and Carmen. Lincoln Center. (870 5580).

THE ARTS

Cinema/Nigel Andrews

Knaves, nasties and knives

Body Double directed by Brian de Palma
Queen Kelly directed by Erich von Stroheim
The Official Version directed by Luis Puenzo
Code of Silence directed by Chuck Norris

This is a week for *films maudits:* those banned, lopped, censured, censored or otherwise "infamous" movies that we often love so much better (like the misbehaved child or delinquent dog) than movies that behave primly and properly.

Brian De Palma's *Body Double* has already been subjected to the shocked snippings of our Board of Censors: that wondrous institution whose response to films in which people are hacked about with sharp instruments is to hack the films about with sharp instruments. So with several offending moments in De Palma's multi-layered thriller of sex, murder and voyeurism. The director of *Carrie* and *Dressed to Kill* made *Body Double* as a deliberately "outrageous" personal contribution to the video-nasty style of exploitation film. But with De Palma, of course, a video nasty becomes a *thinking* man's video nasty.

The plot is a magnificently convoluted hall of mirrors. A young out-of-work actor (Craig Wasson) is hired to house-sit a departing friend's luxury hill-top pad, from whose picture-window each night he espies alarming things: notably a strip-teasing girl neighbour and a naked welder who will turn out to be a driller killer. He pursues and is pursued by these figures during the day. And as surprise, terror and hallucination choreograph his waking hours, he wonders if he is being "set up," as witness or victim, for an elaborate crime plot.

There is nudity, there is violence, there are even scenes in and around a porno film set But right from the start the movie does a vertical take-off from the mire of meretriciousness into the aether of mystery. The ever-twining camera, the metallically gleaming colours, the astonishing sets (including the glassed and shimmering hilltop house like a space station) give the film a constant *trompe l'oeil* scintillation.

And thematically its virtue is that it is as much about the Satanic mills of violence and sexuality as a product of them. Its subject is the voyeur in all of us: that evil- lynx-eyed Id compounded of the curious and covetous that can follow its prey as circuitously but single-mindedly as De Palma's ever-tracking camera.

*

Even more of a movie *maudit* in its day was Erich von Stroheim's *Queen Kelly*. This was mad Erich's extravagant 1929 romp which fell foul of failing cash and was never completed. It had already cost producer Joseph Kennedy $9m, at which point Mr K (later a President's father but better known then as Gloria Swanson's lover) "pulled the plug," in modern parlance. Among those gurgling out with the bathwater was Miss S herself. As the convent girl who becomes a Queen (via running a brothel in Dar-es-Salaam), she had had one too many arduous or outré demands made of her by the director.

Gloria Swanson and Walter Byron in "Queen Kelly"

But the one-third of the planned story completed by Stroheim is surprisingly self-sufficient: especially in this revamped version restoring a few lost shots and filling vital narrative gaps with production stills and commentary. A potentially preposterous tale of randy Princes, mad Queens, fallen knickers and exotic bordellos is dignified by Stroheim's sumptuous sense of decor and detail. Kennedy must have felt his bank balance shudder when he saw the palace banquet scene; awash with tapestries, candelabras, crystal glassware, liveried servants and food that definitely looks eatable rather than from the prop cupboard. And Gordon Pollock and Paul Ivano's photography, silvered and soft-focus, turns the tale's middle European kingdom into a mystic Montsalvat.

There is also Miss Swanson. Who more likely, in a crocodile of convent girls taking the country air, to attract the eye of a passing Prince, with or without help from falling underwear? From there 'tis but a short step to her willing abduction by his Highness (Walter Byron) and a night of drunken romance in his boudoir. And from there, an even shorter step to her being horsewhipped out of the palace by the mad Queen (Seena Owen).

All this — and the sweet revenge of her own later rise to royalty — Swanson negotiates with glittering eye and stalwart chin. She tends to resemble Boadicea or Joan Sutherland after a crash course at the beauty parlour. No wonder she never stayed at the top as a star: she is far too strange, wilful and magnificent. Popular cinema prefers the pliant type, and the idea of Swanson, Stroheim and Pa Kennedy all together in one project was clearly far too much for Hollywood and history to handle.

*

Luis Puenzo's *The Official Version* from Argentina is a *film maudit manqué.* Five years ago this tale of a lady history teacher (Norma Aleandro) who wonders if her adopted daughter is the child of one of the *desparecidos*—the thousands of men and women who vanished into oblivion in the *junta's* wave of arrests and killings—would have been censored senseless or not even made. Now it can be seen and exported and even win prizes at festivals (Best Actress for Miss Aleandro at Cannes). It shakes the repressed tears and screams out of a country still recovering from life under the Generals, and from the bequest of bereavement left by the "disappeared ones."

It also examines the way a society can write or re-write its own history. The original title *La Historia Official* suggests both the particular (the "official version" of a political or historical event) and the general (the "official history" of a country as taught in the classroom).

There are coruscating scenes, like that in which a friend of Miss Aleandro's, torn by tears, relates the night of her and her husband's arrest. There is satire both pin-sharp and deadpan (especially in the classroom). And there is the sense of a country waking to a new dawn only to find that many of the horrors of yesterday are still banked up in the clouds above them, waiting for release in truth and trauma.

*

The week's one uncomplicated commercial offering is *Code of Silence*, starring former world karate champ Chuck Norris. Mr Norris, whose sensitive blue eyes peer out over a beard that looks as if he has had an accident with a bird's nest, plays a U.S. narcotics detective having problems with the following: Henry Silva (Hispanic drug-father), a platoon of squaddies who turn against him after he gives evidence against a corrupt colleague, a runaway robot tank, several shoot-outs, and the fact that the entire film seems to have been stuck together from chips off old Hollywood blockbusters like *Bullitt* and *The French Connection.*

Nonetheless it goes with a fair swing and has some pithy dialogue ("When I want your opinion, I'll beat it out of you"). And for connoisseurs of the unspeakable, there is also the fearsome "Colombian necktie." This, a Silva speciality, consists of a lightly perforated jugular through which the tongue is pulled *en cravate* . . . And who says you have to go to Brian De Palma for gratuitous violence?

Pennsylvania Ballet

David Vaughan

The National Choreography Project was initiated in 1984 with the purpose of matching up dance companies across the United States with choreographers with whom they wished to collaborate. (David Gordon's *Piano Movers* for Dance Theatre of Harlem, reviewed here on August 13, was commissioned under its auspices). The Pennsylvania Ballet, one of America's best national companies, elected to work with Merce Cunningham, no less. *Arcade*, his first new ballet for a company other than his own in more than ten years, received its première at the elegant Academy of Music in Philadelphia on September 11. The ballet will later go into the Cunningham company's repertory, and was in fact choreographed on his dancers, then taught to the Pennsylvania company by Cunningham and his assistant, Chris Komar.

It is often said that many of Cunningham's movements have a balletic flavour. His own dancers are justly noted for their sleek lines, long extensions, and articulate feet. But one sees the difference when his choreography is done by actual ballet dancers, who tend to lack the mobility in the back, the facility in fast shifts of balance and speed possessed by those he has trained himself. Even so, one may surmise that in this case Cunningham had the Pennsylvania dancers in mind — as one watches, for instance, the opening section in which the slow extensions of a group of four women are contrasted with an almost acrobatic series of lifts and catches performed by a female soloist and three partners. Later, there is a more sustained adagio sequence for Veronica Lynn and Edward Myers, their movements echoed by three subsidiary couples. Unlike many ballet choreographers, Cunningha mnever does quite what one might expect, and the ballet ends on a characteristic note of mystery, with two couples left o nstage who seem about to continue the work rather than conclude it.

The Pennsylvania dancers acquitted themselves nobly, as though grateful for the challenge presented by the unaccustomed phrasing and unconventional partnering. They even seemed unperturbed by the experience of performing to excerpts from John Cage's *Etudes Boreales,* brilliantly performed by the pianist/percussionist Michael Pugliese, which, as always, with Cunningham, proceeded independently of the dancing. Neither the choreography nor the design make any literal reference to the title: Dove Bradshaw's set features a single white pillar, to the left of a backcloth with three grey rectangular panels of unequal size, on a white background. The dancers are dressed in leotards and tights in slate grey and blue, daubed with white x's.

Ironically, Cunningham's ballet was far more austere and "classical" than the more ambitious of the other two new ballets on the programme. Richard Tanner, formerly with New York City Ballet, now "artistic associate" of the Pennsylvania Ballet, collaborated with the "new wave" composer David van Tieghem (who has previously worked with Twyla Tharp) on *Rough Assemblage,* in which the women of the company are got up like simulacra of the punk star Madonna, with the men in black leather jackets or fishnet shirts, and shades. Every percussive beat of the music is matched in the choreography—more often than not by a right to the jaw or a left to the solar plexus. As an attempt to be *au courant,* this was just as factitious as Wayne Eagling's recent *Frankenstein* ballet at Covent Garden, only the music was better.

Robert Weiss, the company's artistic director, contributed *Octet for Strings,* a tedious sub-Balanchine exercise to the first movement of Mendelssohn's opus 20. One hopes that he will not be tempted to choreograph the whole work, since even this one movement taxed his powers of invention well beyond the limit.

Music with a View

Andrew Clements

During the Royal Over-Seas League's Annual Exhibition, members of the Koenig Ensemble are giving a series of three chamber recitals in the gallery. The first of "Music with a View on Wednesday night set three British works for oboe and string trio against the first British performances of string trios by young Europeans. The oboist was Quentin Poole, the string players Miranda Fulleylove, Sally Beamish and Helen Verney.

Hans Jürgen Von Bose's Trio is in fact a relatively early work, written in 1978 and therefore contemporary with his *Travesties in a Sad Landscape* which the London Sinfonietta commissioned and performed. It is a more rebarbative piece than I remember *Travesties* to be, stretching the tonal resources of the three strings to the limit in an idiom which hovers around the fringes of tonality without ever coming clean about it. On a single hearing it is slightly impenetrable, though one is left with an impression of great assurance and of an extended timespan (21 minutes) eventfully filled.

Martin Smolka (born in 1958) is a new name to me, but he is evidently one of the leading figures in the youngest generation of Czech composers. His *Tears* for string trio revealed an unashamed neo-romantic, with an open declaration of his intent at the climax in a full-blooded quotation for Chaikovsky's Pathétique Symphony upon which the whole structure is evidently built. This revelation is skill fully approached and then dispelled, but otherwise the music is lacking in memorable ideas; random tonal jottings tend to replace genuine invention.

The Koenig players handled the demands of both trios with impressive aplomb, but some loose ends in the works with oboe left a less positive impression. Elisabeth Lutyen's *O Absalom!* (1977) is in any case a somewhat unyielding piece, despite its elegaic background; Knussen's Cantata can flow more effortlessly than it did here. Priaulx Rainier's *Quanta* fared better, riding over minor imprecisions with its unquenchable vitality. It is, in its small way, a masterpiece of unfailing variety and invention, that ends precisely where it should, without a hint of superfluous note spinning.

Cast changes in 'Run for Your Wife'

David McCallum and Derek Griffiths will take over the leading roles in *Run For Your Wife* at the Criterion Theatre on September 30. Windsor Davies, Helen Gill, Gareth Hunt and David Masterman return to the cast, which also includes Linda Hayden and Gregory Phillips.

Rattle/Barbican Hall

Dominic Gill

Although both the City of Birmingham Symphony Orchestra and its Principal Conductor Simon Rattle have appeared separately at the Barbican, Wednesday's concert was the first they have given there together. A welcome debut — and doubly welcome as the first of four appearances which the same forces will make this season under a new scheme jointly promoted by the CBSO and the London Symphony Orchestra.

By and large a conductor will let his soloist choose the tempi for a performance — although he will often intervene to modify, and coordinate, that choice. The opportunities for intervention, though, are fewer than usual in Bartók's Concerto for two pianos, percussion and orchestra: for the "Concerto" is in fact no more than the famous Sonata for two pianos and percussion, virtually unchanged, but with orchestral colouring. The solo pianists were the two French sisters Katia and Marielle Labeque — whose tendency, already noted on this page, is to perform almost everything, and especially the Bartók Sonata for two pianos and percussion, too fast. One sensed on at least a dozen occasions that Rattle would have liked to restrain their hectic dash through the music: but on this occasion he could do no more than give the Labeques their head, and follow as stylishly as he could.

And that, it must be said, was very stylishly indeed. Hectic tempi apart, it was one of the deftest and most detailed accounts of the Concerto I have heard. Instrumental colours were touched in, and little antiphonies underlined, with the greatest restraint and delicacy. Much of the spare cutting edge of the original is lost in the orchestral arrangement — but how much of the arrangement too is new and quintessential Bartók, and how much of the original can now be heard as aspiring to orchestral texture! One day the Labeques will calm down, and take a second look at the Sonata; when they do, they must surely come back, with their excellent percussionists Silvio Gualda and Jean-Pierre Drouet, and play the Concerto with Rattle again.

The programme had opened with a sparkling *Marriage of Figaro* overture, and ended with Elgar's second symphony. Elgar's Second is no one but the most fervent Elgarian's favourite symphony, but Rattle's evident commitment was more than usually persuasive. I specially admired the easy, genial swing with which he underpinned the first movement; the Larghetto grandly flowing, grandly intimate; and the very human face — pomp without pompousness, and a thousand regrets — which he allowed to the finale.

Verdi Requiem/Festival Hall

Max Loppert

For the opening concert of their season Klaus Tennstedt and the London Philharmonic Choir and Orchestra on Wednesday night tackled together a work new to the conductor's London repertory —the Verdi Requiem. This most completely human of 19th-century choral masterpieces can support a wide variety of differing interpretations, provided that the primacy of the singing line, the crucial feature of all Italian music, is made the driving force behind every one of them.

Tennstedt and his forces, among them a solo quartet of considerable distinction, gave us a Requiem in which there were many incidental excitements, much nervous energery, and a good deal of dramatic fervour; it was an intensely *felt* performance, in every bar. But despite that, the overal leffect was of something powerful but idiomatically uncertain; for until the final two movements, which were at last allowed to develop their own forward motion, the unfolding of the part and, therefore, of the whole was subject to repeated interruption by commas, *tenuti,* sudden tempo slowings, and like adjustments. The natural flow of the music, that natural sense of drama-through-song, was repeatedly set at risk.

Flexibility, in Verdi, is a noble ideal — far too much present-day Verdi performance pursues a metronomically rigid style utterly unsuited to the temper and the content of the music. But Tennstedt's flexibility was not, it seemed, promoted — as in the great representations of the "old school" it always was — by innate feeling for voices, for their expansion and dramatic direction. In such a passage as the very opening, or the "Recordare," or long stretches of the Offertorium, one felt the conductor's activities as a kind of well-meant interference, driving out details and moments at the expense of the larger purpose. It was a very interesting reading, as any such must be, and it was finely executed, but it lacked stylistic certitude.

Luckily, the solo quartet, good in blend, impressive in solo utterance, was able to provide the reliable points of focus even when these were under general threat. The bottom line was held with splendour of tone, if not much individuality of accent, by the Georgian bass Paata Burchuladze. David Rendall, a late replacement at tenor, was a tower of strength; the young German mezzo Waltraud Meier was smooth, steady, and dignified. And notwithstanding an unfortunate slip at the start of the finale, Julia Varady proved a Verdian soprano of memorable qualities — heartfelt, radiant, forceful, the most naturally expressive of my own experience since Leontyne Price.

Author Italo Calvino dies

The death yesterday morning of Italo Calvino deprives Italy of one of its finest post-war writers. The 62-year-old Calvino died in hospital in Vienna, two weeks after suffering a stroke in the garden of his villa in the Tuscan coastal village of Castiglione della Pescaia.

For Italians the author's most famous work was his tale about an 18th century Sicilian aristocrat who decides to live his life in the trees, *The Baron in the Tress.* But in two dozen other books, starting with the naturalistic *The Path to the Nest of Spiders* (1947), inspired by his experience as a Resistance fighter during the German occupation, Calvino created fantasies and magical fables which are very different from the realism which characterises contemporary literature. His last published novel, *Palomar* (1983), looks at life up close, making the banal seem exotic.

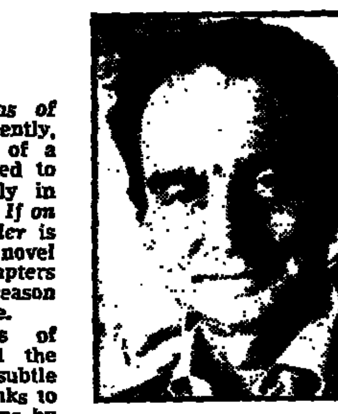
Italo Calvino was born in Cuba in 1923 where his Italian parents were both scientists. He spent his youth in San Remo, then went to Milan to be an editor at Einaudi, Italy's publisher of art books and quality literature.

He recalled in an inteview last March how he had been influeneced by Nabokov and inspired by Hemingway, with whom he went fishing on Lake Maggiore in 1948. "Hemingway was the God. He was the discovery for my generation for his style, for his persona, for his life experience," he said. And yet there could hardly be a greater contrast than that between the macho Hemingway and the shy, even self-deprecating Calvino.

The writer's own favourite among his works is *Invisible Cities* (1972), in which a young Marco Polo entertains the Kublai Khan with beautiful and fantastic descriptions of imaginary cities. More recently, in 1979 the publication of a different kind of novel led to fresh acclaim, particularly in London and New York, — *If on a winter's night a traveller* is a fiction about fiction, a novel which contains 10 first chapters of novels, which, for one reason or another, never continue.

The English versions of Calvino's books retained the intellectual force and subtle fantasy of the Italian thanks to the painstaking translations by William Weaver.

When I met Calvino last March in his Rome apartment a few steps from the Pantheon he was preparing a series of lectures he had been asked to deliver this autumn at Harvard. He was enthusiastic about the invitation and was working on the lectures in Tuscany when he was struck down. He was on holiday with his Argentine-born wife, Chichita, and a daughter, Giovanna.



Italo Calvino

Yesterday many Italian political and cultural leaders, led by President Cossiga paid tribute to Calvino. But his loss will be felt most by his readers.

Alan Friedman

Saleroom/Antony Thorncroft

Musical instruments

Sotheby's opened its autumn saleroom season yesterday with a modest auction of musical instruments which went according to plan, with a total of £122,452 and 8.32 per cent bought in. The sale was epoch-making in a minor key because it was the last time that Sotheby's will offer the cheap, German, 19th century mass-produced violins in the £100-£300 price range. They are just not worth the trouble, as demand yesterday suggested—many were unsold.

Auctions remain a good way for professional musicians to buy an instrument of quality—in the £5,000 plus range—and the top price of £4,400 by the dealers J. & A. Beare for a Tyrolese violin of 1740 confirms the continued interest in better instruments. A late 19th century Italian violin by Giovanni Gaida also did well at £4,180.

It is a pity that children starting out as violinists need under-sized instruments: they would be the natural market for violins in the £100-£300 price range, which are proving such a drag on the market. If an under-sized instrument was offered yesterday it found a buyer. Dealers can acquire violins of this low quality so cheaply that they do not bother to bid at auctions which, in future, at Sotheby's at least, will concentrate on instruments worth more than £500.

Among the lots of interest elsewhere were a murky looking German or Austrian trumpet of around 1835, which, when cleaned, will look smashing: it sold for £1,430, above forecast. A small Neapolitan mandolin of 1776 almost doubled its estimate at £1,210, but some virginals built by Alec Hodson in 1946 were a bargain at £319: they are the victims of the cult of past authenticity. An 18th century English guitar, really more like a mandolin, was cheap at £187.

There seems to be no interest at auction for bells and 12 handbells by Warners of London only made £38.50, below their low estimate of £50. On the other hand bows always do well, a silver mounted violincello bow by James Tubbs selling for £2,090.

Christie's announced yesterday that the Hon Charles Allsopp and Noel Annesley had been appointed deputy chairmen of the company. This is to plug the management gap created by the resignation in July of its chairman the Hon David Bathurst. Mr Jo Floyd, the retired chairman, returned to take up the reins again but he obviously needs younger men to help him out. Allsopp, who has been responsible for house sales, is 45 and Annesley 43.

The announcement scotches the rumours that the former Minister for the Arts, Lord Gowrie, was a possible recruit to the saleroom. He is, however, likely to find a City job in the art investment field.

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Entrepreneurs and managers

HARDLY A week goes by in the hothouse atmosphere of *Silicon Valley without a top* manager leaving a high-tech company in order to start another one. But seldom has there been a defection so spectacular as this week's resignation by Mr Steven Jobs, the 30-year-old co-founder and chairman of Apple Computer. The *departure reflects in an extreme* form the well-known difficulty of marrying the creative flair of a young and immensely successful company with the managerial disciplines needed to run a large, international business.

Mr Jobs' decision to leave was not unexpected. For nearly a year there have been growing strains between him and Mr John Sculley, whom he lured away from the presidency of Pepsi Cola in 1983 to become president of Apple.

For 15 months after Mr Sculley's arrival in May 1983, the two men enjoyed a honeymoon period in their professional and personal relations. In a spate of glossy photographs set against scenic backgrounds, the mercurial entrepreneur, whose personal charisma and technological vision had given the young Apple such drive and success, posed with the hardened marketing professional who was *starting to tighten-up the* company's management.

But by last autumn Jobs was beginning to show signs of restlessness with his new role as senior spokesman-cum-general manager of just one *of Apple's three divisions*. The prime product for which he was responsible, the Macintosh, was much less successful than expected, and amid a general slump in demand for personal computers and a renewed *onslaught from IBM, Apple's profits began to slip.*

Adjustments

Earlier this year Mr Steve Wozniak, Apple's other founder, left to form a new venture after a series of disagreements over product development strategy. In June Apple cut its workforce by a fifth, warned of its first ever quarterly loss and announced that Mr Jobs was being removed from his managerial responsibilities; then, last month, he sold part of his personal shareholding.

The rift at Apple raises issues which reach far beyond the larger-than-life world of Silicon Valley. Nor is it confined to the world of high technology. It underlines the difficulty entrepreneurs everywhere face in making the adjustments necessary to turn their creations into professionally-managed and resilient big businesses. In particular, it brings into focus the inability of most successful entrepreneurs contentedly to hand over the reins, or even share them, with managers whom they bring in from outside.

On both sides of the Atlantic, examples are legion. *Among* the companies which have suffered from the phenomenon in the past are Thorn Electrical (as it then was), and Grundig, which lost several chief executives of good pedigree after clashes with the founder; not until the *company was* in decline did he submit *to outside* influence, in the form of a takeover by Philips.

Sir Clive Sinclair has found it equally difficult to hand over managerial control of his *various companies*, though he has tried (*or been prompted*) to do so several times in the past 12 years; at present he is making a renewed attempt to devote most of his time to research and development. *Among* the *multitude of anonymous businesses struggling to* cross the threshold from small to medium, and medium to large, a sizeable majority experience similar strains.

Though power-sharing is hard for any entrepreneur to stomach, it seems a particular problem in America, where even *many* large companies prefer a single individual to hold sway. In such circumstances the entrepreneur's only choice may be betwen returning to the laboratory or resigning. In Europe the dilemma is *less acute*, thanks to the persistence *in* many countries of a tradition of shared responsibility and team leadership.

From the corporate point of view, the key question is not so much the survival or otherwise *of individuals*, as whether a *company's entrepreneurial style* can survive its professionalisation and growth. For several decades the stock answer has been a negative one, but now a growing number of giant corporations, from Dow Chemical *to General Electric, are struggling to promote entrepreneurship within the* company. As yet, however, only a handful of pioneers, such as 3M and Hewlett-Packard, have succeeded. Even they are finding it difficult to preserve the right balance.

Yet, *for all Apple's current* problems, European *countries* can only envy the success of the U.S. in fostering a climate in which companies like this can flourish. Thesuccess has to do both with the size of the domestic market and with an entrepreneurial culture which is *conducive to* high risks and high rewards. Although the strains that come with increasing size are often difficult to overcome, the vitality of any economy depends to a very large extent on the ability of creative individuals like Steven *Jobs to convert an original idea into a substantial enterprise.*

Mr Kinnock and the Falklands

THE MEETING *in Paris this* week between Mr Neil Kinnock, leader of the British opposition Labour Party, and President Alfonsin of Argentina was intended as an imaginative gesture to unblock the impasse *in Anglo-Argentine relations as* a result of the Falklands conflict.

Obviously, domestic politics played a part in the meeting; but this should not detract from the fact that Mr Kinnock took a deliberate gamble on a swing in the national mood against a Fortress Falklands policy and in favour of the opening of a new chapter in Anglo-Argentine relations.

Mrs Margaret Thatcher has been sharply critical of the meeting on the grounds that it showed little respect for the wishes of the islanders and that Argentina had ignored every olive branch held out by Britain. However, there has been scant sign of a popular outcry.

Sovereignty

Mr Kinnock has accepted that Britain must be willing to discuss at some future date the issue of sovereignty over the islands. Sovereignty is at the heart of the dispute, and while nothing can *justify* Argentina's seizure of the islands, neither this action nor the subsequent Argentine defeat has made the claim vanish into thin air.

President Alfonsin has insisted that the restoration of diplomatic and commercial ties are meaningless gestures so long as the sovereignty issue is ruled out of court. Thus every British initiative, including the most recent one involving the unilateral *lifting* of the trade embargo, *has foundered because* Mrs Thatcher *insists sovereignty* cannot be discussed.

Mr Kinnock has been careful not to surrender Britain's claim to the islands or to prejudice the islanders' future. Instead, he and President Alfonsin have adopted a formula similar to the 1980 Lisbon agreement between Britain and Spain which led to the breakthrough over Gibraltar. The latter formula, approved by Mrs Thatcher, committed Britain to discuss "all" aspects of the future of the Rock — diplomatic shorthand for talking about *sovereignty without formally admitting the Spanish claim.*

Although the Lisbon agreement passed through some rough patches, it now provides the basis for a sensible dialogue. There is no reason why a *similar* approach should not be applied to the Falklands. Just as dealing with the Franco dictatorship made negotiation of the future of Gibraltar politically difficult, so the same applied to the Argentine military junta. *However, President Alfonsin* in almost two years of office has demonstrated his determination to consolidate democracy and his desire to be a reliable international partner, especially by settling *differences* with Chile and facing up to Argentina's large foreign debt obligations. The very generals who ruled Argentina and were responsible for the Falklands invasion are on trial, and one separate trial covers specific charges for this debacle.

These changes make Britain's *European allies* increasingly impatient *over the failure of* Buenos Aires and London to reach a *modus vivendi*. The EEC's support for Britain at the United Nations is increasingly grudging, while Nato needs to be reassured that the cost of defending the islands 8,000 miles away in the South Atlantic is not to the detriment of the alliance.

The Argentines could help their cause by formally declaring an end to the state of belligerence; they could also respond to the lifting of the trade embargo by removing some of the red tape in the way of those wishing to resume trade. But on the British side there has to be a recognition that Fortress Falklands is not a viable policy for the long-term future of the islands.

UK pensions reform

Why few wish to join the Fowler bandwagon

By Michael Prowse

Norman Fowler: a barrage of criticism and a narrow base of support

ON WEDNESDAY, the Confederation of British Industry (CBI) added its influential voice to what has now become a near-deafening chorus calling on the Government to reconsider its planned *abolition of the state earnings* related pension *scheme* (Serps).

The scheme, set up in 1978, offers 11m of the nation's less well-paid workers—those without the benefit of an occupational pension — a modest inflation-proofed supplement to the basic state pension. Its phasing out and replacement by a system of compulsory private pensions was first mooted in June in the Government's *Green Paper on reform of the* social security *system*. The immediate reaction of a wide range of institutions, individual pension experts and pressure groups was hostile.

If Mr Norman Fowler, the Social Services Secretary, had hoped that first impressions would prove misleading—that after reflections the merits of his ideas would become *apparent*—he *must* have been badly shaken by both the *tone* and substance of the great majority of formal submissions. In the past three months the initial hostility has, if anything, hardened.

The criticism is now blunt, well-argued and often *impassioned. Almost every assertion* in the Green Paper is under attack. The criticism is both theoretical and practical: the indivdual "money purchase" *pensions Mr Fowler* is offering *in place of Serps are regarded* not only as an intrinsically less rational way of providing pensions for large numbers of relatively poorly paid workers, but also as administratively *costly and cumbersome.*

A great many people clearly *feel very strongly—some of the submissions are quite emotional* —that half a century of progress on pensions in the UK could be imperilled if Mr Fowler cannot be persuaded to reconsider.

There is widespread agreement that the Government is attempting to force through far-reaching changes far too quickly. The *three-month* consultation period, spanning the summer break, is regarded as wholly inadequate. The CBI is typical in rescribing the proposed implementation date for the changes of April 1987 as *unrealistic and dangerous.*

If it were only the occupational pensions industry that *was attacking the Government's* proposals, Mr Fowler *might*, perhaps, be able to dismiss the criticism as self-serving—as coming mainly from those who stand to suffer professionally from a big shift towards personal portable pensions.

In fact, however, the National Association of Pension Funds (NAPF), the official voice of *the industry*, while hostile, has *not been particularly dominant* in the debate. It has tried to take a constructive "civil servant's" approach to the Government proposals—that, however misguided they may be, it must help to work out ways of *implementing* them.

The frontal attack on the Government's proposals has been led by a raft of life *assurance companies, writing in a personal capacity and including* many that stand to gain from the mooted changes. Mr Fowler is bound to take seriously some lucid and disinterested criticism from the likes of Legal and General and the *Prudential*—companies that would be bound to *do* well in a portable pensions free-for-all.

Their criticism has been *bolstered by the opposition of* influential bodies including the CBI, the National Consumer Council, the Equal Opportunities Commission, Help the Aged and a bevy of left-of-centre welfare pressure groups. *Employer disquiet, expressed* with some passion by representatives of small firms as well as the CBI, is matched by implacable union opposition which will become explicit next week when the TUC *unveils its formal submission.*

In view of his ambitious timetable for reform, which *includes legislation in the next* Parliamentary session, Mr Fowler must be increasingly concerned by the extremely narrow base of his support. The right-wing Monday Club, the Institute of Directors and a *handful of financial institutions such as Save and Prosper, the unit trust group, have expressed* unequivocal approval. But few others seem to want to join the Fowler bandwagon.

Particularly worrying for the Secretary of State, at a time when popular support for the Conservative Party is at a low ebb, is the split in Tory ranks which is emerging. *Many* on the *left* and centre of the party *firmly support* the *compromise* position adopted, *for example*, by the CBI and by Dr David Owen of the Social Democrats. This is that Serps should be reformed rather than abolished. The Tory Reform Group, in particular, has been highly critical of the Fowler plan.

It seems likely that a Bill based on the Green Paper would have a rocky ride in the Com*mons and might be scuppered entirely by the House of Lords*. In the wake of local government legislation, the Upper House takes some pride in scrutinising technical measures which affect the rights and aspirations of large segments of the electorate.

The central question for the Government is whether in the face of mounting opposition it should attempt to press on with the Fowler proposals. Should it *in the next few months attempt to turn the Green Paper plans into a White Paper* and then a Bill? Political issues aside, the answer depends on two things: the validity of Mr Fowler's original critique of the pensions status quo and the validity of the trenchant counter-critique *of his proposals.*

Mr Fowler was moved to challenge the bipartisan status quo — and so spark off the present furore — for two main reasons. The cost of Serps, he said, would escalate rapidly over the next 50 years, presenting an intolerable burden for the future working population. *Hence there could be no question* about its abolition. However, to ensure the least disruption, it would be phased out slowly — nobody within 15 years of retirement in 1987 would be affected.

If the decision to abolish Serps was motivated by negative cost considerations, something more positive — an *ideological commitment to privatisation and personal choice* — underlaid the shape of the proposed successor. In place of Serps, the Government suggests employers and employees should together contribute a minimum of 4 per cent of earn*ings into a personal pension* account held with a *financial* institution.

The result *would be that individuals would recognise pensions, like their homes, as part of their net worth: an asset over which they have control*. Pen*sion reform, like the privatisa*tion of public monopolies, would be *in large part a means towards an end: the fostering* of an entrepreneurial, capital-owning democracy: Personal pensions would be a way of encouraging more people to take a direct stake in British industry.

At first glance, Mr Fowler's cost worries and his desire to *stimulate an entrepreneurial spirit both seem reasonable. Why then the barrage of criticism from groups such as the* CBI and life companies broadly in tune with his economic philosophy?

A great many people feel very strongly that half-a-century of progress may be imperilled

On costs, the argument is that the Green Paper made Serps appear hugely *extravagant mainly by statistical sleight of* hand. The projected rise in costs was not set against the likely real growth of GDP over the next half century. It has been estimated, for example, that the maturing of Serps will pre-empt only one-tenth of 1 per cent of annual growth in future decades.

Help the Aged, *among others*, points out that if Serps is retained, the rise in resources devoted to pensioners will be almost exactly in line with the increasing relative size of the retired population. If there are *to be proportionately more old people, it is surely reasonable* that as a group they absorb more of GDP.

In *any* case, as the CBI argues, there are ways of modifying Serps to make certain its cost does not rise relative to GDP. This could be achieved by basing benefits on average lifetime earnings, instead of on the best 20 years, and by stipu*lating* that widows can receive 50 rather *than 100 per cent* of their husband's pensions.

What of the ideological case for privatising pensions? The burden of the argument put by the life companies and others *is that Mr Fowler's* rather vague ideas, even if they could be implemented, would yield few of the benefits he is seeking yet seriously undermine the pension prospects of 11m comparatively poorly paid workers.

As the Prudential argues, the fact that people would know the present money value of a personal portable *pension* would *not* give them any feel at all for its real value in terms of command over goods and services at the time of retirement. If the Government seriously wants more people to gain a better notion of the value of the *pension assets* they are accruing, it should encourage occupational schemes which make benefits comprehensible by linking them to the thing that matters—salary on retirement (or in the case of Serps average *indexed salary*).

Critics fear that the proposed minimum investment of 4 per *cent of earnings would become a de facto maximum because so* many employees would seek to maximise take home pay in the short run. Life companies argue that a 4 per cent contribution rate would not provide a remotely adequate substitute for lost Serps benefits, particularly if the need *to buy protection for surviving spouses* is considered. The CBI points out that if, as is probable, much of the cash is deposited in safe short-term assets (eg building society accounts), the eventual pension would be "less than half" what would be *on offer even from the scaled down* version of Serps it is proposing.

Besides offering comparatively *little security in the longer term*, the life companies argue that individual saving against old age by millions of low paid, itinerant workers moving in and out of work would be grossly inefficient. In many cases, contributions, says the CBI, would *average* less than £7 a week. The expense of investing such small sums in long-term securities would be prohibitive—perhaps a third of the value of the contributions. The transactions costs of Serps are *minuscule in comparison.*

Critics *also* point to the big *increase in employment* costs which would result from the phasing out of Serps. As the CBI argues, the Government is intent on placing a "double cost burden" on industry: business would have to pay not only for today's pensioners but also, through the increase in "*funding,*" for next century's pensioners as well. Employment costs could shoot up by 4 per cent of the pay bill—a heavy blow when unemployment is still rising.

The cost increase would partly reflect the administrative headaches created for employers by the need to coordinate the individual pension *arrangements of* their employees. The Prudential, in keeping with many other life companies, warns of the proposed new system: "Frankly, we doubt whether it could be made fully watertight without inordinate supervisory expense and *substantial* involvement by the DHSS."

Time and again, the *message* from the submissions is that, notwithstanding the benefits of portable pensions as a "top up" for well-paid executives already covered by company schemes, they are an expensive, inefficient and insecure way of pro*viding pensions* for large numbers of poorly paid workers *for* whom Serps was designed.

The other important, if obvious, point made with almost *monotonous regularity*, is that a pensions reform that cannot attract bipartisan support is almost useless. As Legal and General argues, how can Mr Fowler expect employers to put substantial resources into the administration of a new pensions system if they do not believe it will last?

Men and Matters

Wider view for Neild

Some interesting changes are *taking place* among the ranks *of the City's economic gurus* as the "big bang" looms.

Paul Neild, the ebullient chief economist at Phillips and Drew since 1971, and rated by the annual Extel survey as the top *forecaster of the British economy for each of the* last 11 years, is about to hang-up his slide rule.

Since Union Bank of Switzerland took a 29.9 per cent stake in the broker last month, Neild *has been elected to the board of* the new UK holding company which will prepare it for next year's upheavals in the share and gilt-edged markets. UBS plans to take 100 per cent next April.

With new *responsibilities for* institutional equity research and sales, and a key role in the development of the company's market-making skills, he says he *felt he had to let go of the reins* of the economics team.

"I tend to look forwards rather than backwards" he says. Clearly he relishes the new challenges posed by the City revolution.

But there are one or two past moments which conjure fond memories for him. One was the occasion when a Government minister waved a copy of one *of his instant Budget analyses* in the House of Commons and called it a "primer for economics primitives."

Neild's move was made easier by the knowledge that his current deputy, Stephen Lewis, is standing by to take over the *running of economic forecast*ing and analysis.

At 37, Lewis is two years younger than Neild and has already established himself as the market expert in gilt-edged securities.

Universally liked in the city he is *now preparing for the* wider responsibilty of forecasting everything forecastable—from the unemployment figures to consumer spending.

"Here's a £1—and I expect to see the Arts Council demand amended to £160,999,999"

Absent friends

Guest *of honour* Roy Hattersley's absence from the Clearing Bank Union's eve-of-conference dinner caused a few snickers among the union's Tory and Alliance sympathisers.

Lifetime Labour man John Cousins (son of Frank) has been trying to boost the union's public profile since he took over as general secretary by inviting prominent politicians to dine.

First to grace the CBU's table was John Selwyn Gummer. *Last year's guest was Shirley Williams. Cousins was intent on* getting a top name from Labour's ranks this year. But pressing business kept Hattersley away.

Still keen to give Labour a hearing, the resourceful Cousins asked Tony Benn to step in — sadly, he was otherwise engaged.

With the conference in Liverpool, the idea of inviting Derek Hatton was toyed with — but dropped.

Maybe it is just as well that Hattersley did not show. A Labour/TUC deal which *includes acceptance of the need to moderate wage rises is close* to his heart. Yesterday, Cousins told his non-TUC union that it must declare publicly its opposition to wages policy.

The snubbed host's revenge?

Secret drops

The Russian in London who used the library at the National Geographic Society *at the time* of the Falklands campaign had a counterpart in a British reporter working in Moscow.

He asked the meteorological office there *for the figures* on Moscow's rainfall for the *last* two years only to be parried by the question, "Why do you want to know?"

Divine choice

The lines are hot between Rome and Madrid over accusations that Spain is pulling a fast one on the Vatican.

Felipe Gonzalez's socialist *Spanish government is sending* as ambassador *to the Holy See* the outgoing under-secretary at the foreign affairs ministry in Madrid.

Gonzalo Puente Ojea, also happens to be a self-confessed Marxist and agnostic. For nearly two months the Vatican held up the appointment, and no official credentials for Ojea were forthcoming from St. Peter's Square.

A "*white smoke*" *signal* from the Vatican yesterday finally gave approval to the nomination, however. Officials in Madrid tried to laugh off the delay blaming "summer holidays."

Ojea tells reporters he will work "to develop relations between the two countries" — which is what an ambassador is expected to say.

But his other remaks also published yesterday, such as "I *am a Marxist* because I apply Marxist *analysis* to social phenomena, and I am an agnostic because I suspend judgment on things divine for lack of incontrovertible evidence" are less *likely* to be enthusiastically greeted by Pope John Paul II.

Risks in French

Rainier Brousse, *head of* the French *division of the insur*ance brokers Stewart Wrightson, has tried to make his French guests feel at home at an unusual conference being held near Windsor.

All the British *speakers* at this gathering, arranged *for* French broker-guests, are delivering their addresses in French on topics ranging from *fraud* to political risks.

Stewart Wrightson is trying to boost the volume *of business* it does with France. The company started a French division just a year ago.

The insurance specialists in *that division* are French-speak*ing and all correspondence* is in French.

Working in another language certainly increases costs but Brousse (himself French-born) believes the expense will be absorbed by an increase in business. Even cover notes are now being issued from London in French.

*But in spite of the thoroughness of Brousse's efforts to cre*ate French ambience, English has obtruded into the conference. One of the subjects to be covered is "risk management." No handy French equivalent for that expression has yet been found by the conference.

Too much

A party being shown round Pembroke castle the other day heard the *story of the prisoner* kept in a cell for 12 years and released, mad.

"Mad," exploded an American matron, "I'd be furious."

Observer

THE LIBERAL Party Assembly in Dundee this week has so far exceeded expectations. It has been rather a dull affair: no fireworks, few surprises, and — on the surface — not too much to write home about except the even tenor of its way. Above all, no one has tried to rock the boat.

The main excitement has been the publication of the Gallup Poll in yesterday's Daily Telegraph which gave the SDP-Liberal Alliance 39 per cent of the vote, against 29.5 per cent for Labour and 29 per cent for the Conservatives. Polls go up and down, but it would be hard to deny that the Alliance is on a generally rising trend.

A quiet assembly is exactly what the Liberals needed mid-way between the last General Election and the next. The official word is that it is time to consolidate and that is what the party has been doing. All being well, it will come forward with all guns firing at the assembly in Eastbourne in September next year.

There are quite a lot of laurels to rest on if Liberals ever rest. The alliance with the Social Democrats has been effectively sealed. The old bones of contention between the two parties have been buried. There is no longer a call for a single leader before the election. On the contrary, having two leaders working together is seen as a sign of strength.

There are few arguments either about the distribution of parliamentary constituencies between SDP and Liberal candidates. The two parties have come to regard each other as equals, though with different strengths and weaknesses.

The Liberals have learned from the Social Democrats' air of self-confidence and efficiency. They were desperately anxious that their assembly should not be compared unfavourably to the smooth running of the SDP conference in Torquay last week. There was a danger that they might look like amateurs to the SDP's professionals. On the whole it was averted. The Liberals, too, have grown up.

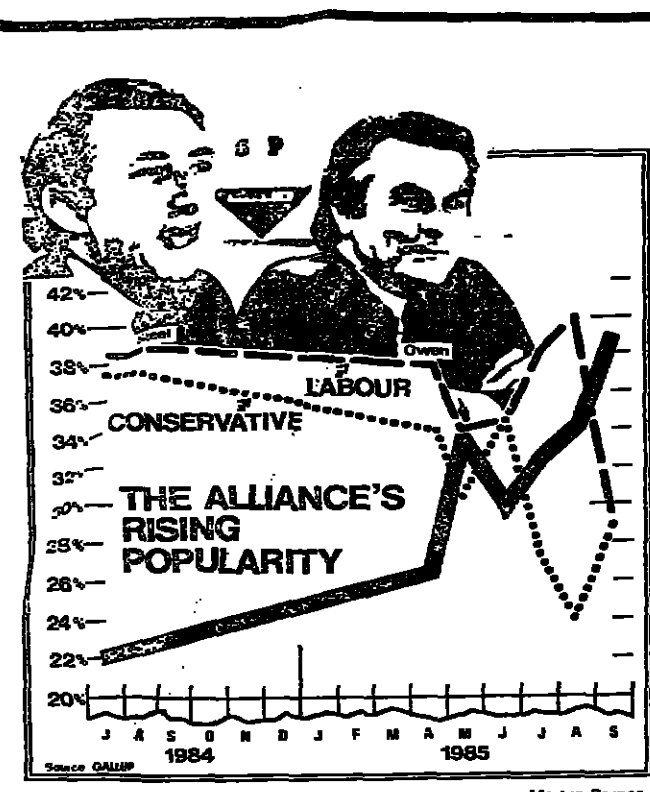
The Social Democrats have learned from the Liberals campaigning zeal especially at the local level. They now realise the importance of winning seats in non-parliamentary elections. The shire county elections last May were a particular success for the Alliance and may have sparked the revival of enthusiasm, among activists evident both at Torquay and Dundee.

Policy differences between the two parties were never as great as was sometimes suggested in the first place. Once the members came to know each other better they realised that they were broadly on the same wavelength. The outstanding difficulty was defence. Even that has been more or less resolved.

Politics Today from Dundee

The Liberals stop rocking the boat

By Malcolm Rutherford



Martyn Barnes

Mr Paddy Ashdown, the Liberal MP for Yeovil, last year's conference hero and an apparent unilateralist, now favours doing nothing very dramatic about Cruise missiles while the arms control negotiations in Geneva are in progress. He has been dubbed Mr Paddy Backdown for his pains but that is by a minority of Young Liberals. What has happened is that Mr Ashdown has joined the search for compromise. Indeed it was said frequently during the assembly debates that a readiness to compromise—both within the Liberal Party and within the Social Democrats—is a sign of political maturity.

The desire not to rock the boat was most striking at the fringe meetings. In the past, these have been occasions for dissident, anarchic or at least individualistic Liberals to attack the leadership and challenge the basis of the Alliance. Not this year.

Ultimate proof of that came from the performance of Mr Tony Greaves at the Liberal News rally—the equivalent of the Tribune rally at the Labour Party—on Wednesday evenings. Mr Greaves has been the scourge of the establishment or Westminster end of the Liberal Party for years. In his previous incarnations he seemed to think that almost anything that the leadership did was wrong. On Wednesday he confined himself largely to reading a relatively little known verse by William McGonagall, once the local poet, called the "Great Franchise Demonstration in Dundee."

For the first time in 50 years, the Liberals had a chance of power, he said. They must play to win.

The other thrust for power came from the newly-elected Liberal councillors, many of whom had been fighting local elections for years, if only to keep the party flag flying, and had congratulated themselves if they came second, yet who are now in positions of responsibility.

There was a very strong sense that they thought that the leadership was too timid. The Alliance would not be going for a hung—or what is now called a "balanced"—parliament, but for outright victory.

A strange twist came in the case of Mr William Wallace, an academic and Liberal parliamentary candidate, whose policy paper on "preparing for Government was leaked to the press on the eve of the SDP conference in Torquay. It says that the party is scarcely prepared at all to stand up to the charms of the establishment and the inner reaches of administration. Mr David Steel, the Liberal leader, virtually disowned him once the leak was known.

But in Dundee Mr Wallace emerged as something of a star, applauded even before he started to speak. He used to have rather a pedantic manner; by the Liberal News rally, he had become more of an orator.

His main point was that the leadership was not preparing for Government seriously enough because it did not believe that overall victory was likely. And what would happen if the Alliance did win and they turned out to be just like any other administration? It would be the end of the last best hope of reasonable Government or so he says. Mr Wallace has done himself no end of good, having been turned from villain into hero in the course of the week.

The Social Democrats have learned from the Liberals' campaigning zeal

There are thorns as well as laurels, to be sure. The Alliance is not nearly as radical in policy terms as it likes to pretend. For example both partners still hanker after some form of codified incomes policy though this is now referred to as a strategy.

Dr David Owen, the SDP leader, promised last week the introduction of an inflation tax as a reserve power, to be levied on wage settlements judged to be too high (to be judged by whom?). Mr David Penhaligon, the Liberal MP for Truro, the party's new economics spokesman and stand-up comic par excellence, went further and said that a prices and incomes strategy was at the root of everything. He did not elaborate.

Mr Steel's idea of an all-party conference to discuss the procedures in the event of a balanced Parliament after the election, was pure gimmickry and patronising gimmickry at that. One of his advisors said that the Queen was "scared stiff" at the prospect of having to choose whom to ask to form a Government and ought to be spared the embarrassment. It seems unlikely that the Palace is losing much sleep about it.

Contradictions abound. Mr Penhaligon who is also the party's new president attacked the old parties for repeatedly repealing each other's legislation, then said almost in an aside that the Alliance would reverse all the Tories changes in local government. He noticed no irony.

Not least, the Alliance is open to the charge of being naive about constitutional reforms. Possibly it is the hit tune of the time, though there is not much evidence of it.

The point about constitutional reforms, that should never be overlooked is that it is exceedingly difficult to put through two Houses of Parliament, and gets in the way of other perhaps more urgent business. Besides, is the introduction of proportional representation really the cure for British ills? There might be other reforms needed to go with it: for instance changes to the House of Lords and the establishment of a fixed-term Parliament. One would like to see a much more considered statement of the Alliance view of the future of constitution, other than the blanket commitment to PR, and more open government.

Still, for the moment it is the Alliance that is making the running. It was probably rewarding for the Liberals to have held their assembly in Dundee, for they have struck another chord the revival of Scottish nationalism, with a small "n." Tory fortunes in Scotland are below the parapet. It is not inconceivable that the Alliance would pick up Conservative seats at the election, though partly at the price of having promised a separate Scottish Parliament. Again, experience should remind us how difficult that is to implement.

There is another factor, noticeable both at Torquay and Dundee. It is the way Mrs Thatcher's Government no longer gets much credit even when it has done well. The miners' strike tends to be remembered as an unfortunate blot and an attempt to impose too much responsibility on the police rather than as the defeat of Mr Arthur Scargill. Other parties want to claim the spoils of victory.

The political vocabulary, has become stacked against Mrs Thatcher, too. Certain anti-Government references are almost bound to win applause. Lord Gowrie saying he could not afford to live in London on £33,000 a year, Mrs Patrick Jenkin saying that the family house might have to be sold, because her husband had been sacked from the Cabinet, the Prime Ministers' own complaint about "moaning minnies." Above all, the Government is repeatedly reminded that it turned down a no-strike agreement at the intelligence centre in Chltenham and has still not solved the problem. Comparatively small matters perhaps, but cumulative.

It is as if the idea has spread that an era is ending, and that it is time for someone else to take over, which is odd in a way because at the bottom all parties are talking about the same subject; the need to reduce unemployment, to promote decentralisation, and to rely more heavily on microeconomic policies. It just seems that the Tories are going out of fashion.

Lombard

A blunt message from the U.S.

By Jonathan Carr in Frankfurt

Mr Richard Burt, the new U.S. ambassador to West Germany, has made a good start in his job. On the same day he presented his credentials to President von Weizsäcker in Bonn, Mr Burt flew on to pay his first ambassadorial visit to West Berlin.

The gesture has certainly gone down well with the Bonn Government and, not least, with the Berliners themselves. It seems to underline an undiminished American commitment to the freedom of West Berlin, and through that city to the defence of Western Europe as a whole.

It would indeed be nice to believe there had been no real change in the U.S. attitude—that whatever the friction within the Atlantic Alliance on particular issues, the European Nato partners can continue to rely on the same level of commitment by the U.S. But a conference on European-American relations, just held by Harvard University's Center for International Affairs, suggests that would be a rash assumption.

Friction

Much of the discussion among government officials, academics and others from both sides of the Atlantic was remarkably civil, even on touchy topics like trade protectionism and the U.S. budget deficit. But things turned nasty on the defence issue, with the Americans insisting they could not go on bearing a "disproportionate" share of the burden in men, money and weaponry indefinitely and the Europeans stressing they were doing all they could.

The debate became heated, then froze with each side stunned at the size of the gap separating it from the other.

So what's new? Hasn't Nato's history been marked by constant friction over "burden sharing" as well as by genuine crises such as France's decision to leave the military command structure? Yet the Alliance has survived and done the job it was meant to do, probably beyond the expectations of its founders.

That is true. But two points emerging from the Harvard discussions were particularly worrying all the same. The first is that the American criticism was bi-partisan and came from people closely informed about the situation in Europe—indeed who in terms of their personal sympathies could be called "pro-European."

Efforts

The Americans did not need to be told by the Europeans (although they were) about the big efforts made by Britain and France to modernise their nuclear forces, about West Germany's decision to extend the military conscription period—and so on. The Europeans' budgetary, and social, problems were seen well enough, but this did not serve to allay U.S. complaints.

The second point, linked to the first, is that U.S. criticism is more fundamental than it used to be, and the passage of time seems likely to reinforce it. On the one hand the Americans see Western Europe four decades after war's end as well able economically speaking to take on a greater share of its defence burden. On the other, for the U.S. the relative importance of Europe has declined as its economic and strategic interests in Asia, the Pacific basin and Latin America have grown.

Discrepancy

Of course that does not mean Europe can simply be ignored by the Americans—but rather that a growing discrepancy is perceived between the value of Europe to the U.S. and the size of the defence commitment assumed on its behalf.

Naturally the response to that is that "Europe" as such does not exist—only nation states struggling painfully towards some sort of union, perhaps political, perhaps just "economic," some day. That reply does not go down too well in the U.S. these days. "That's your problem," one of the American conference participants said bluntly.

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Letters to the Editor

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ace O'Shea
chester Drive, NW4

a and Tina
: it out

r S. Castell

-With regard to Mr P.
ra's French (non)-equiva-
o TINA ("Tina's opposite
er," September 13) it
be of interest to recall
equally au contraire, some
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sed TESSA (there exist
al simple alternatives).
E (beaucoup d'autres solu-
s existent) n'est-ce pas?
) Stephen Castell.
Grange Road, Wickham
ops, Witham, Essex.

nall firms must
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n Mary Berg

—I find the Government's
on the role of small busi-
s in job creation (Septem-
17) naive. Of course small
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aining strong, profitable
omers for new companies.
business opportunities are
created, someone will seize them.

Mary Berg.
(Chief economist).
Society of Motor Manufacturers and Traders,
Forbes House,
Halkin Street, SW1.

Advertising and the BBC

From Mr R. Brooks.

Sir,— Your correspondent's review (September 16) of the various submissions made to "the Peacock Committee" was a good summary of the external impacts of BBC advertising on the industry. A key question remains, which is this. Will advertising income enhance or degrade management systems which encourage and maintain its success?

Advertising income is uncertain in size and received after the production costs of the programmes are incurred. Currently the BBC receives an income agreed in advance of its production costs. Channel 4 currently enjoys a similar income stream from the ITV levy.

These secure repaid reimbursement systems have encouraged management control systems and management philosophies which, in their own ways, have produced notable successes.

The ITV companies earn their crusts in an uncertain market place, receiving payments after the production costs are incurred. The recent 7 per cent gap between planned and actual income, together with the resulting production cutbacks, indicate that the accountants dominate output in the short term in a way as yet unknown at the BBC.

It is not yet clear what benefits will accrue to the BBC's management controls or management philosophies resulting from a mixture of secure and insecure income streams. The risks are of degraded outputs while the internal benefits appear increasingly limited.

Ray Brooks.
Management Centre,
University of Bradford,
Elm Lane,
Bradford, W. Yorks.

Convert 'invest' into 'result'

From the Chairman, BTR

Sir,—Well done Mr Bickford-Smith! (September 17) and the many other readers who came up with a truly BTR-style solution to the "word change" puzzle.

He has won—for himself the right to a free copy of the BTR 1984 report and, for our advertising consultants, their "positive response" bonus.

But we're not complaining—nor are our shareholders.

Having beaten us, why not join us?

Owen Green.
Silvertown House,
Vincent Square, SW1.

The closure of collieries

From Dr R. Hudson

Sir,—Professor Myddelton (August 29) asks whether I seriously believe it would make economic sense to be keeping open today all the more than 3,000 British mines that were operating in 1913? This, of course, is a fairly meaningless question, on two counts. Some of those mines would have become genuinely exhausted of workable coal reserves over the intervening period and there is no doubt that under such conditions collieries would have to close. More fundamentally, the answer to such a question depends upon what one defines "economic" to be, what range of costs and benefits are included in the assessment. Professor Myddelton and I continue to differ deeply on this central issue.

There is a further dimension to this, however, that is crucial in the debate about colliery closures. It concerns the mechanisms through which collieries are made to be uneconomic. As a report from this university reveals, a series of managerial decisions within the National Coal Board effectively transformed Hordon, a long-life colliery with large reserves of high quality coal, into one with currently very limited reserves of two to four years duration. The NCB also claims that the colliery is unprofitable —although it refuses to release the most recent F23 statements for the colliery, which would show whether, even in its own terms, this is so. Far from collieries becoming uneconomic as a result of naturally occurring exhaustion of reserves or some hypothetical set of impersonal market forces, this report suggests that collieries can be and are made "uneconomic" as a direct result of managerial decisions. Having been made "uneconomic" in this way, the NCB then uses their "uneconomic" character as the reason for closing them. The evidence of the Horden case raises a whole series of questions about the mechanisms through which collieries become "uneconomic", even in the NCB's own terms, that are central to the debate about the past performance and future prospects of the nationalised coal industry.

(Dr) R. Hudson.
University of Durham,
Science Laboratories,
South Road, Durham.

FINANCIAL TIMES
Friday September 20 1985

Brussels calls for mutual recognition of laws

By Quentin Peel in Brussels

THE EUROPEAN Commission has proposed that all the member-states of the EEC grant mutual recognition to each others' laws affecting the free movement of people, goods, services and capital, pending completion of a genuine common market by 1992.

It is also calling for decision-making by qualified majority, instead of the present demand for unanimity, on virtually the whole range of issues still restricting the market.

The proposals were presented this week to the top-level officials drafting amendments and additions to the Treaty of Rome, the founding document of the Community.

In addition, the Commission has spelt out its plans to bring the fields of high-technology and environmental protection into the treaty.

The draft treaty articles drawn up in Brussels would provide a very flexible framework for all forms of technological co-operation, so that member-states could participate in any manner of combinations – what is known as "variable geometry."

The purpose behind the changes would be to allow the Community to participate in schemes such as Eureka – the French-inspired plan for research co-operation in fields like high-powered lasers and very large computers.

On the environment, the proposals would give the EEC the specific task of protecting the quality of the environment and human health and promoting a rational use of natural resources. Among the principles involved would be a commitment to promote preventive action and an insistence that the person or organisation causing pollution should pay for the damage.

The draft amendments are the first to be submitted to the committee of national representatives in Brussels, chaired by M Jean Dondelinger of Luxembourg, which has to report to the EEC foreign ministers for final decisions on treaty changes.

Most member-states have announced their intention of submitting other amendments, involving the decision-making process, the powers of the various European institutions, including the parliament and the Commission itself, and new policy areas.

The Commission has submitted its proposals in the form of new articles in the treaty rather than amendments to present articles, leaving the status of the existing rules on the internal market unclear.

It calls for the genuine common market to be established progressively by the end of 1992. The article calling for mutual recognition of regulations affecting people, goods, services and capital is presented as a safety net, giving the member-states an incentive to agree common rules.

The proposals are certain to be amended in discussion, possibly to insert a lot more detail into very general provisions. Moreover, there is still a wide measure of disagreement between the Ten on what actually requires treaty amendment

Australian tax reform package

Continued from Page 1

also be introduced from 1987-1988 to tax profits earned offshore in Australia, less a credit for tax paid elsewhere.

Personal tax rates will first come down from September 1 next year, with the second phase from July 1 1987, when rates will be 55 per cent, 40 per cent, 29 per cent and 24 per cent, with the tax-free threshold raised by A$505 to A$5100. This will see the average income earner paying A$15.20 less in tax each week.

Additional measures to offset the loss to revenue include adjustments to the wholesale tax rates and tighter controls or reduced benefits for film or farm investments.

U.S. outlines plans for curbs on EEC steel

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community yesterday started the search for means to fend off U.S. demands for a substantial widening of an agreement holding back steel shipments to the U.S. market.

At talks in Washington, Commission officials heard for the first time the nature of a new steel trade restraint agreement the Reagan Administration would like to have in place by the end of next month.

The U.S. wants a new agreement to encompass not only 10 products subject to control in an accord reached in October 1982 that expires at the end of this year. It also wants to bring in a further 17 products which, on the margin of that 1982 agreement, were subject to consultations in the event of higher shipments damaging to the U.S. industry.

Of those 17 items, semi-finished products have not so far been subject to restraint. The rest were regrouped into 11 products subject to a temporary restraint agreement running from last month until the end of this year. The Community has made clear that this temporary agreement should not be seen as a precedent for the future.

Officials in Brussels also said that the U.S. would like a new agreement to embrace pipes and tubes, so far subject to a separate restraint agreement which runs to the end of 1986.

The Reagan Administration would also like to bring in special steels. They were the subject of unilaterally imposed U.S. controls in July 1983 that prompted EEC retaliation in the form of higher duties and quotas on U.S. non-steel products. These measures run to the end of 1987.

At the Washington talks, the Commission took note of the U.S. demands but did not respond. The first reaction will come in another round of talks in Brussels next week. After that two further rounds are planned for October.

David Brown writes in Stockholm: SSAB, Sweden's state-owned commercial steelmaker, has succeeded in reversing two points of a three-point countervailing duty case brought by the U.S. Commerce Department on certain Swedish products.

The International Trade Commission has voted to reject a new duty of 8.77 per cent on hot-rolled coil and heavy plate, of which Sweden sold 130,000 tonnes worth some SKr 450m ($53.1m) in the U.S. last year.

However, it has upheld a countervailing duty on cold-rolled coil and sheet products, of which Sweden exported some 90,000 tonnes worth SKr 240m last year. This brings the total duty to 14.9 per cent.

The group has not decided whether to appeal against the final point before the Court of International Trade in New York.

SSAB officials have been lobbying fiercely in Washington to reverse the Commerce Department finding which, they claim, would have made profitable operations in the U.S. impossible.

The Swedish Trade Ministry attacked the decision early this month, saying it had "purely protectionist motivations."

Mr Harry Lundberg, the group's managing director, said: "This is a major success for SSAB." Another company spokesman said: "We expect now to continue selling most of these products, but at roughly unchanged levels."

The Commerce Department case was sparked by charges from U.S. Steel and other American producers that the SKr 6.3bn in capital injections and loans received from the Swedish state in the early 1980s constituted a subsidy.

The Swedes have responded that the aid was within Gatt norms and that their competitiveness stems from extensive rationalisation, modern production facilities and low raw materials and labour costs.

● Ericsson, the Swedish telecommuniations and information group, has won a two-year contract worth $20m to supply fibre optic cable to Pacific Bell. The equipment will be supplied by the group's Kansas-based subsidiary, Ericsson Lightwave, in 1986–87.

UK Labour Party plans tough taxes on foreign investment

BY IVOR OWEN IN LONDON

AN INCOMING British Labour government would impose a harsher tax regime on pension funds and other pooled investment schemes which have foreign holdings in excess of 5 per cent of their total assets, Mr Roy Hattersley, the Shadow Chancellor of the Exchequer, said yesterday.

He suggested that such a limit, which would be applied through the setting of annual targets over a two or three-year period, would produce the tax disincentive needed to halt the growth in the outflow of capital from Britain which followed the abolition of exchange control by the present Government.

Mr Hattersley, launching an updated version of the Labour Party's proposals for establishing a National Investment Bank to channel the repatriated funds into new and viable industrial projects, was adamant that it would not be necessary to introduce a fresh battery of severe currency restrictions.

He was restrained in complaining about the failure of existing financial institutions to provide the investment capital needed to prevent any further decline in Britain's manufacturing base and soft-pedalled when questioned about the likelihood of a big-name bank or other credit institution being taken into public ownership to form the basis of the new National Investment Bank.

Expressing a personal preference, Mr Hattersley envisaged the new body being superimposed on the existing Investors in Industry organisation, a commercial loan bank partly-owned by the retail clearing banks and the Bank of England.

His moderate tones and repeated assurances brought a predictably acid response from Mr Norman Tebbit, the Conservative Party chairman, who renewed the charge he made earlier in the week that contributors to pension schemes would be "robbed" through their money being used for forced loans to the National Investment Bank.

Mr Hattersley described the proposed change in the tax treatment of capital invested abroad as simple and "just" and denied that a reduction in the level of foreign investment necessarily involved a reduced rate of return.

He claimed that actuarial evidence demonstrated that yield from British investment was as high as the foreign return.

Absolute security would be guaranteed to that portion of the repatriated capital which was invested in the National Investment Bank. Deposits with it would be underwritten by the Bank of England and have the same security as government stocks. They would receive a rate of interest not lower than that which was currently the average rate in the market.

Mr Hattersley argued that the effects of capital returning to Britain would be to strengthen sterling and enable the Government to avoid a policy of high interest rates.

The National Investment Bank would make loans at preferential rates of interest to viable projects, but less than 10 per cent of its investment would be below market rate levels.

Mr Hattersley confirmed that individuals who invested excessively in foreign assets, whether property, bank deposits or securities, would also lose some of their existing tax exemptions. But he insisted that individuals with a holiday home abroad would not be affected by the change.

Palestinians give warm welcome to Thatcher

BY ROGER MATTHEWS IN AMMAN

MRS Margaret Thatcher, the British Prime Minister, received the first popular reception of her Middle East tour yesterday when she came close to being mobbed by enthusiastic crowds at a Palestinian refugee camp outside Amman, the Jordanian capital.

Thousands turned out to cheer Mrs Thatcher as she toured the camp on foot, visiting several homes, kissing babies and shaking numerous hands. Security men had to battle to keep back the crowds, and one of her bodyguards later admitted that the walkabout had nearly run out of control.

At a meeting with community leaders of the 64,000-strong camp, Mrs Thatcher, looking flushed and animated, said that having seen the conditions under which they were living she could only marvel at their cheerfulness.

The visit to the camp, perhaps significantly situated on the main road to Damascus, came after further talks with King Hussein.

King Hussein is pressing for more positive British support for his peace initiative, launched last February, and there are indications that London might be preparing to distance itself from U.S. Middle East policy

Throughout this week's visit to Egypt and Jordan Mrs Thatcher has been slightly shifting her ground on the critical issue of Palestinian representation at future peace talks. She is also looking for an international framework for peace negotiations which might satisfy Jordan while excluding the Soviet Union.

She appears increasingly convinced that the main wing of the Palestine Liberation Organisation (PLO) is sincere in its desire for a negotiated settlement of the future of the West Bank and Gaza Strip occupied by Israel since 1967.

World Bank expects to boost lending

Continued from Page 1

with conditions designed to improve the economic policies of borrowing countries rather than to finance specific development projects. Such loans are expected to account for between 15 and 20 per cent of its operations in the 1985–87 period compared with nearer 10 per cent in the late 1970s. The U.S. is understood to have become less sceptical about policy-based lending.

Disclosing details of where its funds are spent, the bank says that at the end of 1985 more than 65 per cent of its disbursements and those of the International Development Association (IDA) were spent outside the borrowing country. But during 1985 developing country suppliers "have become more effective in winning contract awards," receiving 45 per cent of foreign procurement disbursements compared with 25 per cent up to 1981.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	23	73	Dubrovnik	S	27	81	Malaga	F	26	79	Salzburg	S	27	81
Akrotiri	S	31	88	Faro	F	23	73	Malta	F	26	79	Seoul	R	19	66
Algiers	S	27	81	Florence	S	28	82	Manila	C	33	91	Singapore	F	29	84
Amsterdam	S	23	73	Frankfurt	S	25	77	Miami	R	27	81	Stockholm	R	12	54
Athens	S	29	84	Funchal	F	25	77	Milan	S	26	79	Strasbourg	S	27	81
Bahrain	S	37	99	Geneva	S	24	75	Moscow	C	11	52	Sydney	C	15	59
Bangkok	C	31	88	Gibraltar	C	23	73	Munich	S	26	79	Taipei	S	33	91
Barcelona	F	25	77	Guernsey	C	16	61	Nairobi	C	26	78	Tangier	F	24	75
Beirut	S	29	84	Helsinki	S	15	59	Naples	S	31	88	Tehran	–	–	–
Belgrade	S	26	79	H Kong	C	27	81	New Delhi	F	31	88	Tel Aviv	S	28	82
Berlin	S	24	75	Innsbruck	S	25	77	New York	S	26	79	Tenerife	–	–	–
Biarritz	C	29	84	Inverness	F	12	54	Nice	F	26	79	Tokyo	C	27	81
Blackpool	S	13	55	Istanbul	S	24	75	Oporto	S	25	77	Toronto	S	28	82
Bordeaux	S	28	82	Jersey	C	17	63	Oslo	R	9	48	Tunis	S	29	84
Brussels	S	23	73	Jo'burg	S	25	77	Paris	S	23	73	Valencia	F	27	81
Budapest	S	25	77	Las Palmas	F	24	75	Prague	S	21	70	Venice	S	24	75
B Aires	C	18	64	Lima	C	18	64	Reykjavik	S	7	45	Vienna	S	25	77
Cairo	S	34	93	Lisbon	S	[illegible]	[illegible]	Rio de Ja'o	[illegible]	[illegible]	[illegible]	Warsaw	S	[illegible]	[illegible]
Cape Town	[illegible]	18	64	Locarno	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]	Zurich	S	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]	London	C	19	66								
Casablanca	S	24	75	Los Angeles	S	21	70								
Chicago	S	28	82	Luxembourg	S	21	70								
Corfu	[illegible]	[illegible]	[illegible]	Madrid	S	24	75								
Dublin	S	12	53	Majorca	F	27	81								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BMW acts on 'grey imports'

BMW, the West German car maker, yesterday acted to stem the growing tide of unofficial imports to North America by withdrawing warranty cover from all vehicles sold through the so-called grey market, writes Kenneth Gooding in London.

The company maintained it was legally entitled to take this action because the grey market cars were modified by organisations outside the control of BMW.

Unofficial importers claim they can save customers up to $4,000 on the $16,400 BMW 318 at the bottom of the range and more on more expensive models.

BMW insists, however, that the savings, after conversion is paid for, are not significant and that the resale value of the grey market cars is lower than for models sold through its 430 authorised dealers in the U.S.

The company offers a three-year or 30,000 miles warranty in North America, far ahead of the one-year or 10,000 miles warranty for most European markets.

Of the 71,000 BMWs registered in the U.S. last year, about 4 500 entered through the grey market, according to the company. However, this year the total is expected to jump to about 8,000, or 10 per cent of the 80,000 cars BMW hopes to sell in the U.S. in 1985.

French bid to license smart-card technology to Japan

By Paul Betts in Paris

FRANCE is trying to sell its technology in "smart cards," containing microchips for use in banking and other electronic payment systems, to Japan.

M Roland Moreno, the French engineer who developed the French chip card technology, claimed yesterday that several leading Japanese companies were interested in acquiring the licence to manufacture "smart cards."

M Moreno suggested that the talks were advanced. Among the Japanese companies interested in the French technology are Casio, Hitachi, Mitsubishi, Toshiba and Dai Nippon.

An eventual deal could involve the construction in France of a Japanese "smart card" manufacturing plant. France has usually tried to persuade foreign investors to set up manufacturing facilities in the country as part of any technology co-operation or licensing agreement.

France has achieved an unquestionable lead in "smart card" technology. Bull, the state-owned computer group, is supplying 12.4m "smart cards" between now and the end of 1988 to the French Carte Bancaire group.

● Thomson, the French state electronics group, meanwhile confirmed yesterday that it had signed an agreement with Olivetti and Acorn, the UK personal computer company controlled by the Italian concern, to collaborate on a new range of personal computers and develop a European standard for personal computers.

The French company has long sought a major collaboration venture with another European electronics company to enable it to compete against U.S. and Japanese manufacturers. It has also campaigned to establish a European standard in personal computers to challenge the Japanese and American standards.

U.S. chocolate makers seek sweet revenge

By Nancy Dunne in Washington

U.S. CHOCOLATE manufacturers, saying they are fed-up with "sweet-talking Japan," may join the semiconductor industry in asking President Ronald Reagan to impose restraints on Japanese imports in an effort to get market access for their product.

Negotiators from the U.S. Trade Representatives office are meeting with their Japanese counterparts this week in Washington in an effort to resolve American complaints over the 20 per cent Japanese tariff on chocolate.

Meanwhile the industry's trade organisation, the Chocolate Manufacturers Association of the U.S., is studying the possibility of filing a 301 trade case, which, if successful, gives the President the authority to restrain imports from those countries found to "unreasonably restrict" their markets.

Chocolate has been under discussion for months, along with wood products, telecommunications, beef and citrus, as American negotiators have sought market openings in Japan. However, the industry was dismayed when chocolate was excluded from Prime Minister Yasuhiro Nakasone's action programme announced on July 30.

U.S. manufacturers have asked Japan to match the American 7 per cent tariff, a move they say can be easily instituted because of the strength of the Japanese industry in its home market. Japanese confectionery manufacturers hold a 97 per cent share of the domestic market, and 10 companies supply 90 per cent of that chocolate, they say.

An industry consultant complained that the Japanese "refuse to make the politically unpopular choices" while President Reagan and Congress are expected to refuse relief for the U.S. textile and footwear industries.

Mr Richard O'Connell, president of the chocolate manufacturers, said that his group had worked hard marketing American chocolate in Japan and had won acceptance by the Japanese consumer. But the Government's continued resistance to a revision of the tariff is "a first class demonstration of Japan's continuing protectionist trade policy," he said.

THE LEX COLUMN

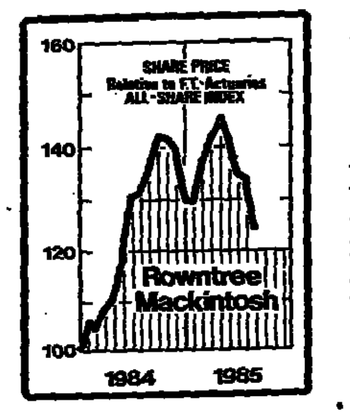
Food for thought from Rowntree

The reporting season of the main UK food manufacturing companies has not been a happy period, and Rowntree Mackintosh duly rounded it off on a dead note with reported profits before tax down 8.1 per cent (at £29.1m) for the six months to mid-June. The market took little interest; pleased the results were not worse, it marked the shares up 11p to 373p, where they occupy that twilight zone of semi-plausible bid speculation that has been their territory since late 1983.

The City needs no reminding that Rowntree (no less than United Biscuits or Cadbury Schweppes) is adept at its home businesses: the UK confectionery market falls into three equal parts that change only temporarily, if rather viciously, with the successful introduction of a new sweet. If there is a message from this reporting season, it is that the industry's expansion into the New World has yet to match its frontier expectations: reported U.S. profits, shorn of the translation gains of the 1981–84 period, are looking embarrassingly naked. Changing to average exchange rates, as Rowntree did last year, merely deprives stockbrokers of the trading opportunity presented by regular revisions of forecasts.

Of course, a 6 per cent drop in Rowntree's North American trading profits could be ignored except that it echoes the experience of so many others, from Dalgety to UB. And the City, which is ready and willing to stump up for the acquisition of second-division, low-growth, cash-generative U.S. businesses (such as UB's Californian olives this week) might reflect on Rowntree's experience with Tom's.

Rowntree jeers at Cadbury for taking on the likes of Hershey and Mars in mainstream U.S. confectionery; but if Tom's has to delay price rises on the mute opposition of vending machines, one wonders where these vaunted U.S. niche markets are. Anyway, Rowntree seems no better off than Cadbury in a competitive Canadian market – let alone, of course, in continental Europe. In the main U.S. food markets, the most conspicuous UK player of substance – UB – has found that even such a splendid acquisition as Keebler can get itself embroiled in a cripplingly expensive battle with the giants for market share.



British Telecom

Plessey and GEC may feel put upon, but British Telecom is enjoying the effects of competition between its suppliers. Its first-quarter pre-tax profits of £443m were comfortably ahead of market expectations and would have been over £10m higher had currency movements not pushed up its contributions to satellite consortia. The shares rose 8p to 208p.

Underlying costs have been kept well down, which has allowed the impressive growth in both inland and international calls to feed almost straight through to the bottom line. Some of this growth, however, must be cyclical rather than structural, and it is not hard to envisage the effect of a turndown in the economy on a business like BT with fixed costs. The stock is by no means as defensive as some investors might assume.

Nor will it be immune to competition. Oftel is soon to publish its decision on allowing Mercury access to BT's network. To the extent that Mercury can choose to service only the most profitable lines, BT may end up both reducing prices and losing market share. So while the company is putting in as creditable a performance as it can, in the longer-term the shares may react to circumstances beyond BT's control.

BPCC

While retaining their exposure to the volatility of the printing business, BPCC's results now resemble those of its fellow property development companies in that completions, while erratic, make quite a difference to the total. In the six months to June there were none, it appears, though analysis is clouded since any activity breakdown has been supplanted in Mr Maxwell's interim statement by something more reminiscent of a Mirror editorial on the iniquities of the print unions. Pre-tax profits rose 14 per cent to £11.43m, and the market marked the shares up 7p to close at 183p.

More interesting to shareholders was the statement about longer-term strategy, which will apparently involve selling off existing businesses which are not at the core of the company, and the acquisition of others, possibly in the U.S. This will puzzle shareholders by adding to both risk and opportunity.

If profits are hard to evaluate, earnings are harder still. Based on last year's profits which were not taxed at all, the shares stand on a p/e of under 7. On a notional 35 per cent charge, however, that rises to over 11. The stock market's bemusement with the company is probably best reflected in a prospective yield of over 10 per cent.

Agreed offers

When the shares of a company are very tightly held, the market price may be little guide to its real value; what matters is the price at which control actually changes hands. Yesterday showed this twice over. The rapidly growing Frank Horsell lithography business was swept up by Cookson Group while en route from an over-the-counter quote to a full listing; and Cookson paid rather more than most estimates of the flotation price. The board of Cass Group, however, annoyed its minority shareholders by accepting a bid – from Telephone Rentals – that fell rather short of its ruling share price on the USM.

The unfortunate fate of Cass marks an end to a less than happy auction process, precipitated by management fatigue and serious difficulties in its apparently attractive corner as a distributor of Mitel telephone switches; with no other deal currently available, suspicious or exasperated minority shareholders are at least getting out above the original placing price. Minority institutional holders of Horsell will have no such qualms; and if shareholders of Cookson wonder at the stiff-looking premium they are paying for Horsell, the deal has an evident attraction in giving Cookson a bigger share in a growth market, as well as less obvious advantages in giving Cookson some very tax-efficient UK earnings to soak up its ACT, and some dollar exports to offset against its existing import bill.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Friday September 20 1985

U.S. CUSTOM SEMICONDUCTOR MAKER PUSHES AHEAD WITH EXPANSION PLANS

LSI Logic plugs into Europe

BY JOHN DAVIES IN FRANKFURT

STEP BY STEP, the ambitious plans of LSI Logic, the U.S. based semiconductor company, are being pushed ahead in Europe and Asia.

As part of its global strategy, LSI Logic selected Brunswick in West Germany earlier this year as the site for a DM 150m ($52m) plant to make custom and semi-custom chips by 1987.

More recently, it linked with Kawasaki Steel in setting up a joint subsidiary to build a similar $100m semiconductor plant in Japan by mid-1987.

In addition to its U.S. operations, these moves will give LSI Logic strong regional bases from which to build up its already fast-growing business.

LSI Logic was started up in 1980 by Mr Wilfred J. Corrigan, formerly chief executive of Fairchild Camera and Instruments, to specialise in logic devices to meet individual requirements of customers rather than standard chips. It quickly gained a dominant position in the market for gate arrays, a basic building block for computer logic circuits.

The group's sales revenue rose 143 per cent to $84.5m last year, while sales in the first half of this year at $64.1m were up 81 per cent on the comparable period a year earlier.

While some standard chip manufacturers have run into problems with the recent slowdown in sales, markets for custom and semi-custom chips have held up relatively well. LSI Logic is pressing on with its plans to meet what it expects to be strongly rising demand.

Mr Robert Blair, president of LSI Logic's UK-based holding company for Europe, said that "ground-breaking" work for the Brunswick factory would start in the first quarter of next year. LSI Logic opted for Brunswick after closely looking at Wales as a possible site.

The Brunswick plant, including wafer fabrication, assembly and testing, would employ up to 300 workers, Mr Blair said.

He said that LSI Logic was also planning to open more design centres in West Germany and other countries to provide software and other specialised support for customers to help them develop integrated circuits for their own requirements.

In addition to its design centre at Bracknell in England, it opened a design centre in Munich last year, was about to open one in Düsseldorf, and would open one in Stuttgart early next year. Others would be set up in Paris, Stockholm, Scotland and Israel. "We must have design centres near customers" he said.

In its three-pronged global strategy, LSI Logic has set up regional holding companies in the UK for Europe and in Japan, alongside the U.S. company, with its headquarters in Milpitas, California.

Executives indicated that the European holding company might be launched on the stock markets in London and Frankfurt within a year or so, although the decision would depend partly on market consideration.

The U.S. group's strategy has been to seek local acceptance in Europe and Japan by already opening up its regional companies to outside investors through private placements. Outsiders hold just over 20 per cent of the European company and about 30 per cent of the Japanese company.

Among the shareholders in LSI Logic Europe is the West German venture capital concern, WFG Deutsche Gesellschaft für Wagniskapital – which is owned by the "big three" commercial banks (Deutsche, Dresdner and Commerzbank) and by the Westdeutsche and Bayerische Landesbanks.

Herr Karl-Heinz Fanselow, WFG's chief executive, said the venture capital concern had acquired about 500,000 shares and was the fifth largest investor in LSI Logic Europe.

Herr Fanselow said that this stake reflected WFG's new policy of diversification by investing abroad. It had also made some investments in the U.S. he said.

In the difficult Japanese market, LSI Logic has been making strenuous efforts to obtain local help in becoming entrenched.

As chief executive of its Japanese affiliate it succeeded in attracting Mr Keiske Yawata, who already had a strong local profile as a senior executive of Japan's NEC Corporation for 26 years. LSI Logic's partnership with Kawasaki Steel will also speed up its breakthrough in the Japanese market, according to Mr Corrigan.

Kawasaki Steel, with sales of $4.9bn in its business year to March 31, has joined LSI Logic in forming a company called Nihon Semiconductor that will produce silicon wafer and semi-custom chips under licence from LSI Logic. The workforce is expected to reach about 250 by 1988.

While the initial cost of the Japanese plant is put at about $100m, total investment in the operation there could reach $200m by the end of the decade, according to LSI Logic.

Richardson Vicks new share plan blocked

By Our New York Staff

UNILEVER, the Anglo-Dutch group, yesterday won a round in its fiercely contested $1.3bn two-tier takeover battle for Richardson-Vicks, the U.S. skin and health care group, when the U.S. courts temporarily blocked Richardson's plans to issue new voting rights stock.

A federal judge in New York issued a temporary restraining order against Richardson's plans to issue new preferred stock, in the form of a dividend to existing shareholders – a key part of the Connecticut-based group's hastily assembled and highly complex anti-takeover defences.

Judge Richard Owen noted he was issuing the temporary restraining order, which had been sought by Unilever in the immediate wake of Richardson unveiling the takeover defence, on the basis of law and "common sense."

The ruling helped spur very heavy trading in Richardson-Vicks stock yesterday morning and helped fuel renewed speculation on Wall Street that Unilever might succeed in its bid, perhaps with a sweetened offer. Richardson's stock was unchanged at $49 a share at lunchtime with 2.9m shares changing hands. Judge Owen noted that the new preferred stock had not been approved by Richardson-Vicks' shareholders and that the company's by-laws had not been changed to provide additional voting rights to existing shareholders.

The judge set a hearing for next Thursday on a move by Unilever to obtain a preliminary injunction against Richardson-Vicks taking steps to thwart its tender offer. Unilever has offered $56 a share for Richardson-Vicks, if the company's board approves the offer and $48 a share if it does not.

Pieroth sales to show impact of wine scandal

BY RUPERT CORNWELL IN BONN

PIEROTH, the biggest West German wine merchant and a leader in direct wine sales to the public, is bracing itself for a prolonged slump in sales as a result of its involvement in the devastating scandal over Austrian wines doctored with the chemical diethylene glycol.

At the same time, Herr Kuno Pieroth, the firm's chief executive, announced that Herr Klaus and Herr Dieter Pieroth, two other members of the family in senior management posts, were resigning, while up to 150 of the concern's 3,600 workforce would have to lose their jobs.

In financial terms, the damage caused by the scandal will see a cut this year of between DM 50m ($17.3m) and DM 60m in Pieroth sales, compared with the DM 640m turnover registered in 1984. The withdrawal of contaminated wines marketed by the company alone will have cost DM 30m to DM 40m.

Pieroth will therefore show a loss this year, despite having operated profitably until the scandal broke in early July. Herr Peter Winter, a new director, estimated yesterday that it would not be until 1988 that sales returned to the level of last year.

Pieroth was doubly implicated in the affair in that not only did it market some purely Austrian wines sweetened with the poisonous diethylene glycol but that some of its German wines were improperly blended in its cellars with contaminated bulk wine from Austria.

The "black list" of dangerous wines published this summer by the West German health authorities contained 32 Pieroth wines.

The judicial investigation into possible breaches of the country's wine laws at Pieroth are still in progress. But Herr Winter declared that whatever the outcome, the company had already decided to strengthen its internal control mechanisms, and impose stricter checks on wines delivered to its cellars.

Herr Kuno Pieroth apologised for the way in which the company had attempted to "play down" the extent of the affair. "We accept our overall responsibility towards our customers and the general public," he declared.

In addition to the redundancies, more than 200 employees face short-time working from October

SEL to start VCR production in Italy

BY JAMES BUXTON IN ROME

STANDARD Elektrik Lorenz, the West German arm of ITT, is to start manufacturing video-recorders in Rome in December. SEL has set up a joint venture with the Italian state-owned company Ristrutturazione Elettronica (Rel).

The plant, Italy's first for the manufacture of VCRs, will employ about 450 people and output will rise from 50,000 units in 1986 to full production of between 200,000 and 250,000 annually.

Italy has so far proved to be one of the weaker markets for VCRs in Europe, and only 600,000 have been sold to a possible 19m households. However, SEL believes total sales this year should reach 200,000, double the level of 1984, and that in the next 10 years the market will absorb 6m to 7m VCRs.

The new joint venture, called Vidital, will produce the Eurocroder 3946, an SEL product aimed at the middle range of the market.

Vidital is owned 51 per cent by SEL and 49 per cent by Rel. Its capital will amount to L8bn ($4.2m) and Rel will make a soft loan of L30bn to the new company. For the first five only years Vidital will have to pay interest on the loan at only 15 per cent of prime rate.

Rel was established in 1982 to breathe new life into the Italian consumer electronics industry after several companies got into serious difficulties in 1979-80. It is involved in a new colour television manufacturer named Seleco, and in a scheme for the manufacture of car radios involving Pioneer and the Italian company Autovox.

Vidital is at present recruiting factory workers. A number of these are likely to be former employees of Voxson, a company now under the control of a government-appointed receiver.

Banks unhappy with Baldwin reorganisation

By Our Financial Staff

OBJECTIONS have been made in a U.S. Federal Bankruptcy Court to the proposed reorganisation plan for Baldwin United by eight banks which claim they are owed about $560m.

Manufacturers Hanover Trust, which filed the objection, said that in 1982 the banks lent the financial services group, now operating under Chapter 11 of the U.S. Bankruptcy Code, $584m. this was used to help purchase MGIC investment, a mortgage insurance company. Mr Joel Zweibel, a l..ayer for Manufacturers Hanover, said the reorganisation plan did not provide for any exact amount to be paid to the banks. Instead, Baldwin's plan calls for major creditors to receive a combination of cash notes and stock that will be valued at 45 to 55 cents on the dollar.

Taubman raises $650m

By Paul Taylor in New York

MR ALFRED TAUBMAN, the U.S. property developer and chairman of Sotheby Holdings, the London-based fine art auctioneers, has raised $650m through a major institutional refinancing deal using his stake in 17 regional shopping centres, valued at $2bn, as collateral.

News of the refinancing deal prompted speculation on Wall Street that Mr Taubman, who has been expanding his business interests rapidly in recent years including the $130m acquisition of Sotheby's two years ago, might be preparing for another major acquisition.

Under the terms of the refinancing deal, two major U.S. pension funds, General Motors and AT&T, which have lent the Taubman group $650m, will have an option eventually to become a 50 per cent limited partner in Taubman Realty, a limited partnership formed to execute the refinancing. The equity option can be exercised after 1997, meanwhile the Taubman group will continue to manage the properties, said to be among some of the best regional shopping malls in the nation.

By structuring the deal as a refinancing with an equity option Wall Street experts noted that the Taubman group will have succeeded in realising some of the equity built up in the shopping centres without incurring any substantial capital gains liability.

Runaway success for Vienna flotation of Lenzing shares

BY PATRICK BLUM IN VIENNA

THE demand for shares in Austria's Lenzing AG, one of the world's leading producers of viscose and modal fibres, issued on the Vienna stock exchange for the first time yesterday, exceeded twice the value of the company's Sch 245m ($12m) nominal capital, according to Österreichische Länderbank which holds a majority holding in the company.

Shares traded at over four times their nominal value and were snapped up rapidly by eager investors. Altogether shares with a nominal value of Sch 45m representing about 18 per cent of Lenzing's share capital are being offered to the public. Only part of these were offered yesterday, with some shares held back for trading in the next days by the two main shareholders Länderbank and Creditanstalt Bankverein.

Until yesterday Länderbank held about 62 per cent of the shares in the company's nominal capital and Creditanstalt 33 per cent, with the remaining shares held by smaller investors. The two banks are reducing their shareholding to just under 51 per cent for Länderbank and 26 per cent for Creditanstalt. Länderbank said yesterday that more shares in the company may be sold next year.

This is the first new share issue on the bourse this year and there was some excitement in the usually subdued trading hall of the Vienna bourse as investors waited for the quotation price to come up on the screens. Applause followed the announcement that Sch 100 shares were trading at Sch 420. The issue also makes bourse history since it is the first to be quoted in schillings per share rather than per cent movements, as is traditionally done. From next January all share quotations will be in schillings per share.

There has been strong international interest in the shares with calls from London and other trading centres, banking sources say. This latest share issue and another due today for Jungbunzlauer, an Austrian biotechnology group, whose shares will also be placed in London, have spurred activity on the Vienna bourse which has seen prices rocket in the past 18 months.

Lenzing reported a successful year in 1984 paying out an 11 per cent dividend on share capital of Sch 210m. Its turnover was Sch 4.6bn up almost 18 per cent on the previous year. Turnover this year is expected to reach about Sch 5bn, some 80 per cent of production is exported.

The last two years have been exceptionally good for the company, although it is now facing more difficult international market conditions as well as having to make substantial investments to meet increasingly tight environmental controls. These are expected to cost the company at least Sch 1.5bn during the next four years.

Bond corporation offer extended

BOND Corporation Holdings of Perth has extended until February 19 its A$1.2bn (U.S.$820.2m) bid for Castlemaine Tooheys, the Australian brewing group of which Bond said yesterday it now owned 86.6 per cent, Our Financial Staff writes.

Sterling loan deals for two UK companies

By Peter Montagnon in London

Two more British companies, Harrisons and Crosfield and W.H. Smith, are arranging loan facilities in the sterling bankers acceptance and short-term advances market. Both deals are led by Baring Brothers.

Harrisons and Crosfield, the overseas trading concern, in raising £130m over five years through a facility designed to refinance its existing debts at lower cost. Terms of the deal, of which £110m is committed by underwriting banks, allow funds to be raised through the issue of sterling acceptances or dollar or sterling bank advances.

The facility carries an underwriting fee of ⅛ per cent. The maximum commission on acceptances is 20 basis points, the same as the maximum yield on advances.

W. H. Smith is paying a slightly higher underwriting fee of 15 basis points for its £80m facility which is to finance its recent purchase of the Elson chain of newsagents and gift shops in the U.S.

The higher fee reflects the fact that the facility is relatively long for the sterling market at seven years. Of the total £60m is committed by underwriters.

Maximum commission on sterling acceptances sold under the facility is 20 basis points for the first four years rising to 25 basis points thereafter. Maximum margins over London interbank offered rate (Libor) are the same for dollar or sterling bank advances.

EUROBONDS

Abbey National issues two-tier sterling floater

BY MAGGIE URRY IN LONDON

THE ABBEY NATIONAL became the third of the UK building socities to launch a Eurosterling floating rate note yesterday, tapping the market for an initial £150m with a further £100m available to be sold after April 1986.

Lead manager Samuel Montagu set the interest rate at ⅛ per cent over three-month London interbank offered rate (Libor), the same as for Halifax and Nationwide's deals, with the same commissions of 40 basis points. The maturity is longer at 15 years, but investors have a put option after seven years. The bonds were bid at 99.65, the level where co-managers own them.

The World Bank launched its expected jumbo zero coupon issue in the Swiss franc market, led by Morgan Guaranty (Switzerland).

The redemption value is SwFr 600m with a life of 30 years. Issue price is 18.69 to give a yield to maturity of 5¾ per cent. Some traders thought this a touch low for the maturity but Morgan Guaranty points out that with a zero investors do not need to worry about reinvesting coupons.

Zero offer greater volatility than fixed rate bonds and against the background of a strong monetary policy, inflation in Switzerland is falling, says Morgan Guaranty. The World Bank is a frequent borrower in Switzerland, however, and investors have plenty of choice of coupon paying issues.

In the Eurodollar sector fixed-rate bonds weakened slightly again with traders now looking to today's U.S. third-quarter GNP figure to judge the state of the economy.

Ford Motor Credit was brave enough to launch a deal ahead of the figure. The $100m issue matures in January 1996, giving a short first coupon. The coupon rate was set at 11 per cent and issue price at par by Goldman Sachs. Fees total 2 per cent and in early trading the bonds were around 98½.

BHF Bank bond average		
Sept 19		Previous
105.069		105.242
High	1985	Low
105.417		99.840

The Municipal Finance Authority of British Columbia launched a $50m issue in the morning through Crédit Commercial de France. This is likely to find buyers among retail rather than institutional clients. The coupon is 11¼ per cent, with a par issue price, for 15 years. Then the coupon can be refixed for five more years with investors having a put option. Fees are 2¼ per cent and the bonds were trading comfortably within that discount.

A big buyer was said to have come in for the UK floater and the price moved up to 99.80 yesterday, encouraging other floaters to move up also.

Great American First Savings Bank, a California savings and loan association, launched a $100m seven-year FRN which is backed by Ginnie Mae and other U.S. government agencies, giving the bonds a AAA rating.

The institutional investors who buy floaters do not object to the registered form the backing requires. The interest rate was set at ⅛ per cent above six-month Libor and, with fees of 45 basis points, the issue proved popular. The bonds were bid at 99.84. Lead manager is Credit Suisse First Boston.

Bank Leumi (UK) launched a $10m perpetual floater paying interest at ⅛ per cent over Libor.

The "shogun" market – non-yen bond issues launched on the Tokyo domestic market – is expanding and two deals were launched yesterday. New South Wales Treasury is raising $100m through a seven-year, 10⅜ per cent deal priced at 100⅜ and led by Yamaichi Securities. Meanwhile another Australian borrower, Victoria Public Finance Authority, launched a A$60m seven-year deal through Daiwa Securities. This pays 13⅜ per cent and is issued at 99⅜. Fees on both deals total 1.8 per cent. A Canadian dollar deal could be the next new currency launched there, with Quebec the likely borrower.

In the D-Mark market BHF-Bank led a DM 150m issue for Österreichische Elektrizitätswirtschaft, the Austrian power utility. Terms were fixed at a 10-year life with a 6½ per cent coupon and par issue price. The issue was trading around 98¾ yesterday, in a weaker market where secondary market prices fell by around ¼ point.

In the Swiss franc market, apart from the World Bank's issue, UBS set final terms for the SwFr 100m 10-year issue for Portugal at a 6 per cent coupon as indicated but with a 100¼ issue price.

The secondary market was unchanged on average in low turnover.

International bond service, Page 24

INTERNATIONAL COMPANIES and FINANCE

Ahold profits up at seven-month stage

BY OUR FINANCIAL STAFF

AHOLD, the Dutch food retailer, reports good profits and sales progress for the first seven months of 1985 and says earnings overall this year will show an increase.

Net profits for the period rose by 17 per cent to Fl 62.1m ($19.1m) on an increase in turnover to Fl 6.65bn, against Fl 5.75bn. For the whole of 1984 profits totalled Fl 108.5m.

Ahold has extensive U.S. operations via its giant supermarket chain. It said about half its increase in revenue was derived from foreign exchange gains, while Fl 5m of earnings rise reflected favourable dollar effects.

In the Netherlands, turnover rose 6.6 per cent in the period compared with a year earlier, while U.S. sales climbed 9.3 per cent.

Ahold also proposes a four-for-one share split for which an extraordinary meeting of shareholders has been called.

● The rights issue planned by Bührmann-Tetterode, the diversified paper group, is to be a one-for-four at Fl 95 a share to raise Fl 89m ($27m). The shares changed hands on the bourse yesterday at Fl 10.5.

The company, which recently announced a 72 per cent rise to Fl 18m in first-half 1985 net profits, says earnings overall this year will show a considerable increase over 1984.

CCF ahead at midway

BY OUR FINANCIAL STAFF

STRONG profit gains are reported by Crédit Commercial de France (CCF), the big French state-owned bank, for the first half of 1985.

The bank gained from improved cost control, a better deposit structure and a rise in net interest income. Net profits for the six months are FFr 103m ($11.8m), a rise of 35 per cent.

With lending activity on the upswing and funds flowing out of term deposits in favour of non-remmunerated sight deposits, net interest income rose 17 per cent to FFr 2.3.

This was accompanied by the relatively slow growth of operating expenses, which rose 8.5 per cent. Operating results advanced to FFr 676m, up 46.6 per cent.

But the bank's net contribution to provisions also rose, to FFr 501m from FFr 386.9m in the first half of 1984. At the same time, extraordinary gains fell to FFr 5.7m from FFr 92.8m.

CCF said the current six months were unlikely to duplicate the first half. For all of 1984, CCF had consolidated net income of FFr 4.2m.

South African exploration stock issue

By Anthony Robinson in Johannesburg

POTENTIAL investors are being offered a "rare opportunity" to participate in the high-risk gold exploration field in South Africa by taking up a renounceable rights issue for R17.5m ($6.8m) from Rand Extension, a subsidiary of East Daggafontein Mines. This is equivalent to 31 per cent of the increased share capital.

East Dagga, which presently owns 73 per cent of Rand Extension, is to renounce its portion of the rights entitlement in favour of its share and option holders. This amounts to 8.6m of the 11.64m nominal 50 cents shares on offer at 150 cents.

Renounceable letters of allocation are being offered to Daggafontein shareholders on the basis of 80 for each 100 Dagga shares held. Trading in the letters of the Johannesburg and London stock exchanges starts on Monday September 30 and will last for three weeks.

The remaining shares will be taken up by Southern Prospecting, the minority shareholder in Rand Extension, with a 26.3 per cent holding.

The R17.5m to be raised by the issue, plus Rand Extension's exploration funds of around R6m, will finance the company's exploration activities for at least the next five years. The major portion will be spent on joint ventures with Johannesburg Consolidated Investments (JCI), Randfontein Estates and Newmont Mining.

Mr Ted Grobicki, managing director of Rand Extension, and Mr Chris von Christierson, managing director of Southern Prospecting, describing the offer as a "rare opportunity" for investors to participate in a minor way in the on-going boom in gold mine exploration activity.

The total rights issue is underwritten by UAL the merchant bank, which reports that sub-underwriting was over-subscribed in South Africa and that it has had to ration the amounts granted to both local and European sub-underwriters.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 19.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101⅞	102⅜	−0⅛	+1	10.25
Amex Credit 12⅝ 88	150	105¼	105¾	−0¼	+0⅜	10.42
Atlant Richfld 10¼ 90	250	95⅛	95⅝	−0¼	+0⅛	11.77
Australia Com 11¼ 90	100	103¾	104¼	−0⅛	+0¼	10.82
Australia Com 11 95	200	101¼	101¾	−0¼	−0¼	10.72
BP Capital 11⅛ 92	150	101⅝	102⅛	−0¼	−0⅛	10.67
Canada 11½ 90	500	104¼	104¾	−0¼	0	10.17
Canadian Pac 10¾ 93	100	101	101½	−0¼	+0½	10.48
Canadian Pac 12½ 99	75	106¾	107¼	−0⅛	+0¼	11.47
Chevron U.S.A. 12¼ 89	600	104	104½	−0¼	+0⅜	10.88
Citicorp 10 88	200	99⅜	99⅞	0	−0⅜	10.14
Citicorp 11½ 95	150	101⅛	101⅝	−0⅛	+0⅞	11.24
Coca Cola 11¾ 91	100	105⅞	106⅜	−0⅛	−0⅛	10.33
Denmark Kingdom 11¼ 89	100	101¾	102¼	−0⅜	0	10.52
Denmark Kingdom 11½ 90	100	102½	103	−0¼	−0⅜	10.58
Denmark Kingdom 11½ 92	100	102½	103	−0⅜	−0⅞	10.86
Denmark Kingdom 13¼ 91	100	109⅜	109⅞	−0⅜	−0¼	10.98
E.D.F. 10 95	225	94⅜	94⅞	−0⅜	+0⅛	10.91
E.E.C. 9⅜ 90	350	96¾	97¼	−0⅛	−0⅜	10.43
E.E.C. 11⅛ 90	100	101⅞	102⅜	−0⅜	0	10.46
E.I.B. 12 95	200	105⅜	105⅞	−0⅜	−0½	11.08
Export Dev Corp 10 90	100	99	99½	−0¼	+0⅜	10.19
Export Dev Corp 12 89	100	105¾	106¼	0	+0½	10.18
Fed Dep Stores 10⅛ 95	100	95⅞	96⅜	−0¼	−0⅜	10.77
Ford Motor Cred 11⅛ 90	100	102	102½	+0⅛	+0⅜	10.67
Ford Motor Cred 11⅝ 95	100	101½	102	−0⅛	+0⅜	11.29
Ford Motor Cred 11¾ 92	100	102	102½	−0⅛	0	11.22
Ford Motor Cred 12 95	100	103¾	104¼	−0¼	+0⅛	11.28
Gen Elec Credit 10¼ 00	200	100¼	100¾	−0⅜	+0⅜	10.17
GMAC 10¼ 89	200	100⅛	100⅝	−0⅛	+0⅜	10.08
IBM Credit 10⅜ 2000	300	100⅞	101⅜	0	0	10.21
Kellogg Company 10⅞ 90	100	101¾	102¼	−0⅛	+0⅛	10.24
Kellogg Company 11¼ 92	100	102¼	102¾	0	−0½	10.66
L.T.C.B. 12⅞ 91	100	109	109½	+0⅛	+0⅜	10.72
Macy Cred Corp 11¾ 95	100	103	103½	−0½	−0¼	11.15
Merrill Lynch 12¼ 89	100	104⅝	105⅛	−0¼	+0⅜	11.38
Minnesota 11½ 87	100	103½	104	−0⅛	+0⅝	9.40
Mitsui Trust 11⅝ 90	100	101½	102	−0¼	−0⅜	11.10
Morgan Guaranty 12⅜ 89	150	105	105½	0	+0¾	10.48
Pru Realty secs 12⅞ 95	546	105¼	105¾	−0⅛	0	10.95
Qantas Airways 10⅜ 95	140	98⅛	98⅝	0	+0⅜	10.64
Quebec Hydro 11½ 92	100	103⅜	103⅞	0	+0⅜	10.73
Queensland Govt 10¼ 95	100	96⅞	97⅜	0	+0¾	10.73
Ralston Purina 11¼ 95	150	104	104½	−0⅛	+0¼	10.59
Ralston Purina 12¾ 89	100	106⅝	107⅛	−0¼	−0⅛	10.57
Saskatchewan 10¼ 92	100	100½	101	−0⅛	+0¼	10.55
Saskatchewan 11⅞ 89	100	105¼	105¾	−0⅛	+0⅜	10.16
Statoil 10 90	770	99⅜	99⅞	−0⅛	0	10.38
S Wales Trty 11¾ 90	150	103¾	104¼	−0⅛	+0¼	10.57
Swed Exp Cred 10 92	100	96½	97	−0¼	−0⅛	10.68
Swed Exp Cred 12¼ 89XW	100	106½	107	0	+0⅛	10.58
Sweden Kingdom 10⅞ 90	200	101¼	101¾	−0⅛	+0⅛	10.42
Sweden Kingdom 11½ 89	200	103⅜	103⅞	−0⅛	+0¼	10.37
Sweden Kingdom 11¾ 94	100	104¾	105¼	−0⅜	0	10.85
Tenneco Corp 10¼ 95	150	99⅜	99⅞	−0⅛	+0¾	10.80
Texaco Capital 11⅛ 95	250	99½	100	−0¼	−0⅜	11.15
Tokai Asia 11½ 95	100	101⅝	102⅛	−0¼	+0¼	11.15
United Tech Fin 10⅜ 95	100	97⅞	98⅜	−0⅛	−0⅜	10.84
Victorian Rep 11⅝ 92	150	103¼	103¾	−0⅛	0	10.88
World Bank 10⅛ 95	300	96½	97	−0⅜	+0⅛	10.66
World Bank 12⅞ 94	200	110⅝	111⅛	−0¼	0	10.51

Average price change On day −0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	106⅝	107⅛	+0⅛	−0⅛	6.95
Austria Republic 7⅜ 94	200	104¾	105¼	−0⅛	−0⅛	6.68
Baxter Travenol 7¼ 94	200	103½	104¼	0	+0⅛	6.62
Copenhagen 7⅜ 95	150	101⅝	102⅜	−0⅛	0	7.07
Credit National 8⅛ 94	200	107⅝	108⅛	−0⅜	+0⅜	6.67
E.I.B. 7¼ 94	300	103	103¼	−0⅜	−0¼	6.78
Escom 8 92	150	96	97	+0¼	+3¼	8.71
Ex-Im Bk Korea 7⅜ 90	100	† 99	99¾	0	0	7.77
Ferrovie Dello Stato 8 91	100	† 105½	106½	+0⅛	0	6.65
Finland Republic 7 92	200	† 101½	102½	−0⅛	+0¼	6.59
Gould Int Fin 7⅝ 91	100	104⅝	105⅝	+0¼	0	6.53
Ireland 8⅛ 92	150	† 105¾	106¾	−0⅛	−0¼	6.91
Japan Fin Corp 7⅜ 91	100	105¼	106	−0⅛	+0⅛	6.42
Mitsubishi Hvy 3½ 89WW	300	170¾	171¾	−0⅞	+15⅞	−11.82
Mitsubishi Hvy 3½ 89XW	300	98¾	99¾	+0¼	+0⅛	5.65
Mitsubishi Met 3⅜ 89WW	100	105	106	0	0	1.77
Mitsubishi Met 3⅜ 89XW	100	89⅞	90⅞	+0¼	+0¼	5.73
Quebec Hydro 7⅛ 95	200	103	103¾	0	0	6.64
Renfe 7¾ 95	100	103½	104	0	−0⅜	7.18
Renown 3⅛ 90	80	107¾	108¾	+0⅜	−2¼	1.33
Soc Cent Nucleaire 7¼ 95	150	† 101	102	+0⅛	0	7.08
Societe Cent Nucleaire 8 91	100	106¾	107½	−0¼	−0⅜	6.47
Sth African Tran 7⅝ 92	100	92¼	93¼	0	+2¼	9.04
World Bank 7 95	600	†* 101⅞	102⅜	0	−0¾	6.70
World Bank 7¼ 89	100	† 103½	104½	+0¼	+0⅛	6.39

Average price change On day −0⅛ on week +1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 102	102½	+0⅛	+0⅜	5.92
Avon Cap Corp 5⅝ 94	130	† 99¾	100¼	−0¼	0	5.37
Brit Land Comp 6½ 99	75	†* 104	104½	+0⅜	+0⅜	6.04
Council of Europe 6 92	120	† 104	104½	0	+0⅛	5.27
Creditanstalt 5½ 94	100	† 99¼	99¾	0	0	5.57
Deutsche Bk Fin 5⅜ 95	100	† 101½	102	0	+0½	5.13
E.I.B. 5⅞ 94	120	† 102½	103	+1	0	5.48
Gen Occidentale 4½ 94	80	†* 100¼	100½	−0⅛	−0½	4.85
Glendale Fed.S&L 5½ 95	100	† 98¼	98¾	+0⅜	−1⅝	5.70
I C Industries 5⅝ 94	125	† 102½	103	+0½	−0½	5.24
Ind Fond Fin 5¾ 94	40	†* 102	102½	0	+0¼	5.43
Int-Am Dev Bk 6⅛ 94	120	† 103½	104	−0⅜	+1⅛	5.59
N.Zealand steel 5¾ 96	70	† 99¼	99¾	+0¾	+0⅛	5.81
Oberos Kltwk 5⅜ 95	100	† 99¼	99¾	0	0	5.44
Ralston Purina 5⅝ 94	125	† 101	101½	+0½	0	5.39
Santos Finance Ltd 6 94	130	† 100	100½	0	+0⅛	5.98
Tokyo Elec Pwr 5⅜ 93	120	† 100½	101	0	+0¼	5.37
Tokyo Metropolis 5¼ 94	80	† 99¼	99¾	−0¼	0	5.32
World Bk 5¼ 94	150	† 101½	102	−0⅜	0	5.50

Average price change On day +0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 8¼ 90	15	100	101½	−0⅛	+0⅜	6.41
Gdyr Tr & Rubber 7⅛ 95	25	100⅛	100⅝	−0⅛	+0⅜	7.08
Mort Bk Denmark 7 92	10	101⅛	101⅝	−0⅛	+0¾	6.73
New Brunswick 7¼ 95	10	102⅜	102⅞	0	+0½	6.74
Swed Exp Cred Zero 90	14	72¼	72¾	0	+0¼	6.61

Average price change On day −0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chrysler Fin 13⅜ 92 $A	55	100¼	101¼	+0½	−0¼	13.44
Rural & Inds. 13¾ 88$A	50	96	97	+0⅛	−0⅛	14.79
SBSA Finance 13 88 $A	50	94⅞	95⅞	0	0	15.04
State Bk NSW 12¾ 90 $A	75	94⅛	95⅛	0	+0¾	14.33
Amex 10¾ 90 C$	50	98¾	99¼	−0½	−1¼	11.00
Genstar Fin 11¾ 95 C$	75	99	99½	0	+0¼	11.86
Hamil-Went'th 10¾ 95C$	25	† 94¼	94¾	−1½	−1¼	11.71
Loblaw Cos 11⅜ 92 C$	50	† 98¾	99¼	−0¾	−0⅜	11.82
New Brunswick 11⅝ 95C$	75	† 99⅞	100⅜	−0⅞	−0⅞	11.58
Shell Canada 11¼ 92 C$	75	100½	101	−0⅜	+0⅜	11.07
Winnipeg City 10⅜ 90C$	50	98⅞	99⅜	−0⅜	−0¼	10.85
Chrysler Fin Corp 17 90NS	65	91½	93	−1¾	0	19.58
K.O.P. 16¼ 91 NS	50	89	89½	−3¼	−0⅜	19.67
Privatbanken 16⅝ 88 NS	50	94½	95½	−0½	−1¼	18.70
Creditanstalt 8⅝ 94ECU	65	99½	100¼	0	+0⅜	8.69
Motorola 8⅝ 92 ECU	50	99⅛	99⅞	0	+0⅜	8.07
Walt Disney 8⅝ 95 ECU	80	101⅝	102⅜	0	+0⅜	8.79
ITT Corp 7 90 FL	100	101⅛	101⅝	0	−0⅛	6.62
Mefina 7 90 FL	100	101⅜	101⅞	0	+0½	6.59
Thyssen 7¼ 90 FL	50	101⅜	101⅞	+0¼	+0½	6.85
Wereldhave 7½ 90 FL	75	101⅞	102⅜	0	−0⅛	6.96
Wessanen 6¾ 90 FL	50	99¼	99¾	0	+0⅜	6.87
IBM France 11⅛ 90 FF	700	98⅞	99⅜	+0⅛	+0⅛	11.36
Australia Comm 11 92 £	40	99⅜	100¼	0	0	10.97
BP Capital 10¾ 92 £	50	98⅞	99⅜	0	+0⅜	10.93
E.I.B. 11⅛ 93 £	50	100	100½	−0⅛	+0⅛	11.05
GMAC UK Fin 10½ 90 £	30	98⅛	98⅝	−0⅛	+0⅛	10.93
Imp Chem Inds 11¼ 95 £	75	99⅝	100⅛	0	+0⅛	11.27
Imp chem Inds 10¾ 92 £	75	97¼	97¾	0	+0⅜	11.28
Mcdonalds 10⅝ 90 £	40	99¾	100¼	0	+0⅛	10.84
Mitsubishi Fin HK 11 90 £	50	99⅜	99⅞	0	+0⅛	11.07
Privatbanken 11⅞ 92 £	20	100⅛	100⅝	0	0	11.75
Rank Xerox 11 92 £	40	98⅞	99⅜	0	+0⅛	11.16
Royal Ind 10¾ 92 £	60	96⅜	96⅞	−0⅛	+0⅛	11.47
Star Drug Cap 10⅞ 90 £	30	98¾	99¼	0	0	11.13
Tricentrol XW 11 92 £	35	94⅛	94⅝	0	+0⅛	12.24
Trusthouse Forte 11⅛ 90£	50	98⅞	99⅜	0	+0⅛	11.34
World Bank 11¼ 95 £	100	101½	102	0	+0⅛	10.93
E.C.S.C. 10½ 94LF	100	103½	104½	0	+0⅛	9.80
Nat Lux Alum 10½ 92 LF	600	104¼	105¼	+0⅜	0	9.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	† 99¾	100	27/6	9.6	9.61
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	3/9	8⅛	8.13
Bankers Trust 5 2000	0	99¾	100	11/9	7.69	7.70
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/11	8.31	8.29
B.F.C.E. 5¼ 89	0⅛	100¼	100½	13/9	10.06	10.02
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/1	8¼	8.24
C.C.F. 5¼ 97	0	99¾	100	22/9	10⅝	10.64
Chase Man'tn 5 2000	0	99¾	100	12/11	8⅛	8.14
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/9	7.81	7.81
Citicorp O/S 5¼ 96 Sep	0⅛	99¾	100	19/12	11.19	11.20
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.89	9.82
Hanwa Co 3 90 SF	0⅛	† 97½	97¾	12/3	3⅛	3.20
Ireland 5¼ 97	0	100	100¼	26/10	9.69	9.68
Ireland 5¼ 99	0	100¼	100½	14/9	10	9.98
Italy; Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.88
Lloyds Bank 5¼ Perp	0¼	99⅞	100⅛	9/12	8	8.00
Midland Bank Perp 5	0¼	99½	100	19/12	8⅛	8.15
Nat West Perp A 5¼ S	0¼	99⅝	99⅞	9/1	8¼	8.27
Nat West Perp B 5¼ S	0¼	99¾	100	10/2	8.91	8.92
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.58
Queensland Coal 5¼ 96	0¼	100¼	100½	12/11	9	8.97
Roy Bk Canada 5 2005	0⅛	99¾	100	5/9	8⅛	8.14
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.80	11.76
Sweden Perp 5¼	0¼	100	100¼	9/1	8.31	8.30
Tokai 5¼ 98	0⅛	100¼	100½	12/12	8⅛	8.09

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	108⅜	109⅝	−0⅛	5.65
Comcast 7 2000	12/83	23.875	† 102½	103¼	0	30.09
Fanuc 3¼ 98	1/84	7032.3	130⅛	131⅜	−2⅛	35.65
Fujitsu 3 99	5/84	1320.9	78⅛	79⅛	−2	22.08
Kumagai Gumi 3½ 2000	3/85	600	156⅛	157⅝	+2	0.83
Marui 3½ 99	7/84	1162	125⅞	126⅞	+0⅞	1.42
Mitsubishi Elec 2⅞ 00	3/85	422	89⅜	90⅝	−0⅛	5.61
Murata 3⅛ 99	2/84	2351.2	91⅞	92⅞	+0⅛	30.96
Murata 3½ 2000	7/84	2398	91⅝	92⅞	−0¼	34.35
Nippon Elec 2⅞ 2000	1/85	1295	82⅛	83⅛	−0½	25.62
Nippon Oil Co 3 2000	5/85	923	84⅝	85⅞	−1⅛	5.34
Oki Elec Ind 3½ 99	10/84	805	85¼	86½	+0⅜	31.49
Orient Leasing 5¼ 98	6/83	2680	† 96	97	−1	−5.72
Sekisui House 3 99	6/84	612	147	148¼	+2½	4.43
Sumitomo Bank 2¾ 2000	8/85	2142	94½	95¾	−0⅜	19.51
Sumitomo Corp 2⅞ 99	5/84	598	111½	112¾	−0⅞	−0.39
Taiyo Yuden 3¼ 2000	3/85	1078	† 90	92	−1	−2.65
Takeda Riken 3⅛ 2000	10/84	7663	†* 75	77	−2	33.65
Tokyo Sanyo Elec 3½ 99	12/84	772	92	93¼	−0½	12.96
Toshiba Ceramics 3 2000	4/85	1734.2	79	80½	+0½	15.45
Nippon Oil Co 2⅞ 92 SF	3/84	1052	† 96	98½	−3	37.27
Nippon Shinpan Co 2 92 SF	3/84	801	† 96	98½	−2	10.82
Asics 5 92 DM	12/83	520	107⅛	108⅝	+0¼	22.26
Sum Realty 6¼ 92 DM	2/83	336	† 326	327	+0¾	−2.56

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Premium (%)	Gearing	Premium/Gearing Ratio
AICA KOGYO 17/8/90	19.50	21.00	742	21.28	4.70	4.53
CASIO COMPUTERS 6/3/89	35.50	37.00	1,670	3.36	3.49	0.96
C ITOH 4/5/89	31.50	33.00	421	9.23	3.51	2.63
C ITOH 20/1/87	49.00	54.00	421	27.75	2.14	12.97
DOWA MINING 20/7/90	9.50	11.00	655	29.98	7.68	3.90
FUJIKURA CABLE 28/4/89	8.50	10.00	342	25.32	8.22	3.08
HAZAMA GUMI 1/11/89	11.00	12.50	400	31.91	6.94	4.60
J.S.R. 28/4/89	9.00	10.50	370	33.52	7.40	4.53
JUSCO 22/12/88	81.00	85.00	877	20.99	1.79	11.72
KAYABA INDS 15/2/89	17.00	18.50	355	2.29	6.11	0.37
KUMORI PRINTING 20/12/89	18.50	20.00	2,090	40.51	4.35	9.32
MARUZEN 12/2/90	9.00	10.50	476	35.19	8.31	4.23
MINEBA 20/2/89	46.00	51.00	750	54.89	1.87	29.32
MIT CHEMICAL 20/1/87	94.00	98.00	482	36.05	1.43	25.19
MIT CORPORATION 7/11/88	26.50	28.00	619	4.07	4.29	0.95
MIT GAS & CHEM 20/3/89	31.50	33.00	424	4.27	3.65	1.17
MITSUI E/S 16/10/88	11.00	12.50	168	12.97	7.71	1.68
MITSUI E/S 10/12/87	25.50	27.50	168	9.19	4.37	2.10
MIT METAL 10/2/89	78.00	82.00	635	35.87	1.60	22.37
MIT METAL 10/11/89	12.50	14.00	635	25.72	6.46	3.98
MITSUI PETRO 15/2/90	23.00	24.50	452	3.17	5.24	0.60
NIPPON MINING 17/3/89	95.00	99.00	381	56.13	1.24	45.20
NIPPON MINING 15/6/90	11.50	13.00	381	40.94	6.35	6.44
NISSHO IWAI 1/2/89	11.50	13.00	270	17.63	7.18	2.45
NOMURA SECS 31/10/88	66.00	67.50	1,130	7.44	2.25	3.30
OHBAYASHI GUMI 5/4/89	75.00	79.00	445	1.52	2.14	0.71
OMRON TATEISHI 31/3/89	8.00	9.50	1,360	84.57	5.81	14.54
ONODA CEMENT 28/2/90	15.00	16.50	342	19.04	6.32	3.01
OPTEC DAI-ICHI 23/2/90	16.50	18.00	628	22.55	5.69	3.98
OSAKA TRANSF 29/1/90	21.00	22.50	533	16.87	4.85	3.48
RENOWN 24/1/89	13.50	15.00	748	20.46	6.18	3.31
RYOBI LTD 25/5/90	12.00	13.50	390	20.62	7.17	2.88
SEINO TRANS 17/3/89	13.00	14.50	1,230	7.34	6.82	1.08
SEIYU STORES 20/3/87	61.00	65.00	745	41.67	1.75	23.85
SONY CORP 26/4/90	16.00	17.50	3,600	44.77	4.85	9.24
SUMI CONST 24/3/89	61.00	66.00	316	5.15	2.30	2.24
SUMI HEAVY 24/2/89	25.50	27.00	287	5.90	4.32	1.36
SUMI REALTY 21/11/89	83.00	84.50	930	2.66	2.15	1.24
TOKYO ELECTRIC 14/3/89	7.00	8.50	990	53.80	8.03	6.70
TOKYO SANYO 8/6/87	149.00	154.00	615	80.38	0.92	87.72
TOKYU CORP 21/9/90	70.50	72.00	547	0.31	2.46	0.13
TOKYU DEPT STRS 20/7/90	20.00	21.50	563	8.21	5.35	1.53
TORAY INDS 5/3/87	25.50	27.00	538	6.99	4.27	1.64
TOYO ENG 28/2/89	52.00	56.00	680	56.49	1.74	32.43
YAMAMURA GLASS 8/5/90	11.00	12.50	445	28.87	7.16	4.03
YAMATO KOGYO 29/1/90	14.50	16.00	600	18.83	6.39	2.95

Reuters Monitor DABF/G/H/I/J – Further information from:
Freddy Glock, Beverly Kelly or Edward Cartwright on 01-248 8080
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INTL. COMPANIES & FINANCE

New products help Sony to lift sales by 12%

BY YOKO SHIBATA IN TOKYO

SONY, the Japanese electronics group, drew benefit in its third quarter to July from sales of new product lines such as compact disc players and the recently developed 8mm format for video cassette recorders (VCRs).

Demand for these aided a 12.6 per cent growth in overall consolidated sales to Y349.4bn ($1.4bn) against the same period last year.

Comparative net profits were affected, however, by a Y4bn special credit last time, reflecting the sale of shares in Sony Magnescale, a subsidiary. The net earnings were 9.2 per cent lower at Y73.8bn, and at the pre-tax level they were also down, at Y37.1bn compared with Y40.3bn.

Operating profits, by contrast, were up Y1.9bn to Y35bn.

Strong sales in the U.S., up 12.6 per cent to account for 36 per cent of the total turnover, and in Europe, up 21.4 per cent to account for 6.6 per cent of the total, pushed up Sony's overseas sales by 16 per cent to account for 74.2 per cent of overall sales. Domestic sales, meanwhile, rose only 2.5 per cent.

Strong sales of the 8 mm VCRs, accelerated by the wider introduction of 8 mm video to the world market, nonetheless failed to recoup dwindling sales of VCRs in its existing range. This resulted in a 0.4 per cent drop in turnover of the video equipment sector, which represents 34.9 per cent of the total turnover.

For the full year, Sony expects to maintain value sales in the sector by stepping up monthly production of 8 mm VCRs from the current 130,000 sets a month to 150,000.

Full-year consolidated net profits are forecast at Y7.5bn, up 5 per cent, on projected sales of Y1,400bn.

Monier shows strong growth for year

By Our Financial Staff

MONIER, the Australian building products group in which Redland of the UK has a stake of some 46.6 per cent, yesterday announced a 35.7 per cent rise in net profits to A$31.04m (U.S.$21.2m) for the year to June and a one-for-10 scrip issue.

The bonus will rank for the maintained final dividend of 5.5 cents a share, a payment which leaves the total for the year unchanged at 11 cents. A one-for-10 scrip was also made at the same time last year.

The earnings advance was achieved on a 25.3 per cent rise in sales to A$659.5m, and was further assisted by extraordinary credits of A$3.15m. This brings the attributable result to A$34.19m compared with A$25.17m.

For the current year, the group said non-residential construction in Australia was expected to remain strong, offsetting any decline in housing starts. In North America, which accounted for 23 per cent of 1984-85 profits, its roofing and resources businesses were expanding.

● Australian National Industries (ANI), the diversified industrial group, lifted net profits 18 per cent in its year to June, to reach A$46.04m, on sales which moved up 8 per cent to A$1.1bn. The dividend for the year totals 19.2 cents a share against 16.5 cents.

ANI, which has interests including engineering, metals, and vehicle retailing, has in recent weeks set in place a US$125m revolving underwriting facility, which will allow it to issue U.S. dollar Euronotes and domestic paper.

In the latest year, a higher tax bill of A$30.8m against A$24.7m was partially offset by an A$2.1m dip in depreciation charges to A$21.4m.

Big improvement at Syme boosts Fairfax results

BY LACHLAN DRUMMOND IN SYDNEY

JOHN FAIRFAX, the Australian media group, pushed up net earnings by 40 per cent, to A$43.04m (US$29.4m) in its June 30 year after a substantial increase in the contribution from David Syme and Co, its Melbourne publishing offshoot.

The improvement at Syme, Publisher of The Age newspaper, and by the group's Sydney newspapers — which include the Sydney Morning Herald and the Australian Financial Review — more than offset a second-half decline from its television interests and lower returns from radio and magazines.

Syme, in which Fairfax moved from 84 per cent to 98 per cent ownership by the year-end, lifted its net earnings from A$4.73m to A$70.03m to provide 37 per cent of pre-minority net profits.

Syme benefited from a 30 per cent rise in classified advertising volume, while volumes at the Sydney-based newspapers rose 12 per cent. Fairfax's Sydney and Brisbane television interests were hit by softer advertising volumes in the second half as well as higher programme costs.

Total revenues were up 20 per cent from A$595.5m to A$715m with pre-tax profits ahead 50 per cent from A$52.2m to A$78.5m. Interest charges were A$15.9m against A$14.7m

A two-for-seven bonus issue is proposed with new shares ranking for the 7.5 cents final dividend, producing an equivalent total on year-end capital of 15.64 cents against an adjusted 10.71 cents.

Myer Emporium pushes earnings ahead by 17%

BY OUR SYDNEY CORRESPONDENT

THE Myer Emporium has produced a 17 per cent increase in annual net earnings to A$50.8m (U.S.$34.8m), its swan song as an independent force in the Australian retail market.

The group will soon be wholly owned by G. K. Coles, whose A$1.1bn takeover offer closes today.

Myer attributed the improved results for its August 4 year to its recent re-organisation and said it was positioned for significant long-term benefits.

The company is expected to earn perhaps A$90m for the current year, with steady and substantial increases in future.

Myer increased market share for the period, with turnover up 19 per cent to A$3.47bn. It won the extra share without great loss to net margins, which dipped from 1.49 per cent to 1.46 per cent.

However, the latest net result benefited from a reduction in tax from A$38.3m to A$34.4m. Directors said the pre-tax slippage resulted from extremely competitive conditions as well as markdowns in winter clothing after unseasonably mild weather in the southern areas of Australia.

After excluding the effects of store openings and closures in the latest year, sales rose by 7 per cent and profit by 12 per cent.

The latest result was after a A$1.4m fall in interest charges to A$78.4m while depreciation was A$5.7m higher at A$49.1m.

INI sells Spanish travel agency

By Tom Burns in Madrid

SPAIN'S public sector holding company, the Instituto Nacional de Industria (INI), has sold the travel agency Viajes Marsans.

The sale of Viajes Marsans, which is the oldest travel agency in Spain and has a 5 per cent stake in the domestic tourist market, was considered a test of INI's commitment to privatising selected assets in the face of opposition from trade unions and the left wing of the governing Socialist party.

A mid-week cabinet decision approved the purchase of Viajes Marsans by Trapsatur, a fast-growing travel company, founded in 1972, which has so far concentrated mainly on bus tours. Marsans, which has 44 offices in Spain and a further 11 outside, was absorbed by INI in 1964 when it began to lose money heavily.

The company's losses last year stood at Pta 456m ($2.65m) after INI had injected some Pta $6bn over the past five years to refloat it.

Trapsatur paid Pta $907m for outright control of Viajes Marsans.

Next on INI's privatisation schedule is the group's chain of luxury hotels, known as Entursa, which is separate from the Parador network of state hotels owned by the Tourism Secretariat.

Three Entursa hotels, which are state monuments in their own right, the Reyes Catolicos in Compostela, the San Marcos in Leon and La Muralla in Ceuta, are to be absorbed by the Parador network, but INI has invited bids for nine other Entursa establishments.

Among possible buyers for Entursa hotels, which include the Alfonso XIII Grande Luxe in Seville, are the Spanish group Sol, which earlier this year bought the Hotasa chain from the expropriated Rumasa group and the Italian group Ciga.

Firestone closures to cost $100m

By Our Financial Staff

FIRESTONE Tire and Rubber, the second largest U.S. tyre company, expects restructuring of its North American tyre operations to result in pre-tax charges of about $100m against earnings for fiscal 1985.

The company plans to eliminate excess tyre manufacturing capacity by closing its plant in Albany, Georgia, and ending production of car and truck tyres in Des Moines, Iowa, where it intends to consolidate its agricultural tyre production.

For the whole of 1983-84, Firestone's net earnings were $102m.

CCB Mortgage funds frozen

AN ALBERTA court has ordered a freeze on the deposits of the Edmonton-based CCB Mortgage Investment Cororation for 45 days to give the corporation time to try to solve liquidity and other problems, AP-DJ reports from Ottawa.

The corporation's difficulties were prompted by the recent failure of the Canadian Commercial Bank, Edmonton. CCB Mortgage is owned mainly by pension funds. Canadian Commercial Bank has a minority interest in the corporation and has acted as its adviser.

INTL. COMPANIES & FINANCE

Bernard Simon on the repercussions of two Canadian bank failures

CCB fiasco creates major tremors

THE FALL-OUT has begun from Canada's first bank failure in 62 years. There is no certainty at this stage as to when or where it will end, but it is already clear that the collapse of Canadian Commercial Bank of Edmonton three weeks ago will have wide implications for the regulation of Canadian financial institutions.

The CCB affair has also become a political embarrassment for the Government of Mr Brian Mulroney, the Prime Minister. At a time when the one year old Conservative administration needed to reverse an image of vaccilation and indecisiveness among the business community, Mr Michael Wilson, the Minister of Finance and his Minister of State in charge of financial institutions, Mrs Barbara MacDougall, have been forced on to the defensive in day after day of parliamentary debate.

The question most frequently asked since the authorities put CCB and the Calgary-based Northland Bank under the care of curators on September 1 is whether Ottawa did the right thing last March in hurriedly organising a C$225m (U.S.$164m) bail-out package for CCB. Already burdened by a heavy exposure to the depressed western Canadian property market, CCB, with assets of C$2.7bn, was brought to the brink by the default of hard-pressed borrowers in the U.S. drilling rig industry.

Considerable reluctance

Several of the six major Canadian banks that participated in the rescue did so with considerable reluctance. They were apparently swayed by the Government's argument that the stability of Canada's financial system might be threatened by a bank failure hard on the heels of the troubles experienced by savings institutions in Ohio and nervousness in the international currency markets. The Government was also under some political pressure not to allow an important institution in western Canada to go to the wall.

Yet the eventual collapse of CCB, with the demise of Northland possibly still to come, has caused barely a ripple of financial markets. One can only guess whether things would have been different last March.

Unfortunately for the Government, the six-month interlude has been costly. The Bank of Canada is confident that the C$1.3bn in short-term loans which it advanced to CCB to cover withdrawals by nervous depositors is adequately secured. But the six private sector banks stand to lose their C$60m contribution to the bail-out.

Having repeatedly assured the public that money with CB was safe after the bail-out, the government now has little choice but to pay out all depositors, including those with accounts above $60,000, which are not normally covered by the Canada Deposit Insurance Corporation.

The same will apply to Northland Bank if its directors fail to find a rescuer soon. Providing cover for uninsured depositors in the two institutions could cost the exchequer as much as C$900m.

This is not the first time that Ottawa has waived the rules of its deposit insurance scheme. Several trust company failures in the past two years have turned the deposit insurance fund from a substantial surplus to a deficit of C$377m last December. Even without taking into account payments to CCB and Northland customers, the deficit was expected to climb to C$1.5bn by the end of this year.

The large amounts involved in the CCB and Northland cases will give new urgency to amend the deposit insurance scheme. Its borrowing ceiling will be raised. Other proposals currently being considered are an increase in insurance premiums paid by financial institutions, and a system of "co-insurance" in which all but the smallest depositors woud have to bear a portion of their losses themselves.

The CCB affair has also raised a large question mark over the future of government proposals to allow the growing number of financial conglomerates in Canada to own banks of their own. These recommendations, included in a discussion paper on the regulation of financial institutions established last April, are a departure from the traditional Canadian practice. The Bank Act limits any one shareholder to 10 per cent of a bank's equity, though it does allow foreign banks to set up fully owned affiliates in Canada, the so-called Schedule B banks.

The "Green Paper" urged the creation of a new class of bank, to be known as a schedule C bank, which would be controlled by a federally-regulated holding company with interests in other types of financial institutions, such as trust companies or insurers. This would provide a major opportunity for the conglomerates, such as Brascan, Power Corporation, and Genstar, to spread their wings in the financial services industry.

Barbara MacDougall—forced on to the defensive

Criticism of the proposal has centred on the potential for conflicts of interest among institutions with a common dominant shareholder, and the difficulty of adequate policing.

CCB is a widely-held institution; but its problems have highlighted the difficulty of keeping tabs on the activities even of the existing 14 domestically-owned banks.

It has recently become clear that, even at the time of the CCB bail-out, Government officials and other bankers were not fully aware of the extent of the bank's problems.

CCB wrote down the value of many of its problem loans by 45 per cent as part of the rescue but the market value of these assets has since been determined to be only about a third of their book value. Government officials disclosed after CCB's collapse that one-third of its loans were non-performing, although the figure had been set at around 10 per cent earlier this year.

One Government official observes that "It's getting through to people that the supervisory system is already stretched to the limit. Shouldn't we sort that out before moving on to new structures?"

Ottawa's hopes of introducing legislation based on the Green Paper by the end of this year have evaporated. Doubts about the paper's key recommendations, which have been fuelled by the two Alberta banks' troubles, are likely to throw open again the debate on the best way of promoting competition among players in the financial markets while maintaining sound regulatory practices.

Considerable attention is likely to focus in coming months on the resources available to the Inspector-General of Banks, the Finance Ministry official responsible for supervising the banking industry.

Although his staff has grown from half a dozen to 38 people in the past eight years, there are apparently still not enough inspectors to monitor adequately the bank's detailed lending practices. The Inspector-General is currently recruiting a team of recently-retired senior bankers to help keep a closer eye on the banks.

As in Britain, the role of banks' external auditors is under scrutiny. Government regulators in Canada routinely conduct inspection on banks' premises, but they have relied on outside auditors for detailed information on the adequacy of asset write-downs, loan loss provisions, and so on.

Under the Canadian Bank Act, banks appoint two firms of auditors, one of which is rotated every two years. Auditors have a duty to report to the authorities on the status of individual loans, but they appear to have given little attention to their impact on a bank's overall viability.

'Insensitive Behemoths'

The CCB affair has further battered a widespread popular view of the major Canadian banks, which have long been viewed by large sections of the the public as insensitive Behemoths.

The banks have issued detailed statements defending themselves against allegations that they contributed to CCB's downfall by withdrawing deposits after the bail-out, sometimes on the basis of privileged information from the government.

The amounts involved are relatively small, and the banks have insisted that CCB's main problem was the quality of its assets rather than a drain of deposits.

TECHNOLOGY

EDITED BY ALAN CANE

Setting a faster pace in computer graphics

Geoffrey Charlish on a design aid which claims to offer outstanding speed and power

THE ART of designing with screen, keyboard and computer has taken another step forward with the emeregence in Europe of a workstation which is claimed to be 100 times faster than any competing unit on the market.

It comes from a Californian company called Silicon Graphics, which recently opened offices in Newbury, Berkshire.

The company, which moved into profit a year ago, has raised more than $33m of venture capital since it was started by Dr James Clark, an ex-Stanford University professor. The product is a stand-alone engineering workstation with abilities that few in industry will have seen so far on such a compact unit.

For less than $50,000, the IRIS workstation can produce animated images of the kind that might be seen on a full scale flight simulator costing more than $1m. A recent London demonstration produced a view you would see from the cockpit of an aircraft landing and taking off while others came and went.

Dr Clark believes that, with the cockpit mock-up and instrumentation, it will be possible to make a full colour flight simulator acceptable to smaller regional airlines at a price of about $100,900. The company has already sold IRIS to Singer for a system called Microflight.

For designers, including engineers, architects and TV graphic artists, IRIS allows powerful originations and manipulations of all kinds of image with immediate interaction and high levels of design productivity.

The secret lies in several very large scale integrated (VLSI) chips developed at Stanford and now used under licence by Silicon Graphics. Two in particular—the "geometry engine" and the "geometry accelerator"—have enabled the company to offer a stand alone workstation which combines interactive, immediate graphics facilities with networking if required.

IRIS, it is claimed, offers very quick response graphics for a fraction of the cost of doing the same thing on a system of mainframe-based graphics terminals.

Response time is seen as increasingly important in engineering circles. A recent IBM study quoted by Dr Clark showed that a reduction from 1.5 to 0.5 secs in the time for modified pictures to appear on the screen results in a four-fold increase in the user's design productivity.

By bringing a dozen of the geometry engine chips to bear, the system can process an astonishing 44m pixels (fundamental picture elements) every second, or about 70,000 of the TV raster lines that make up the picture.

It deals *simultaneously with* colour changes, dimensional changes in 3D representations of objects, and animation.

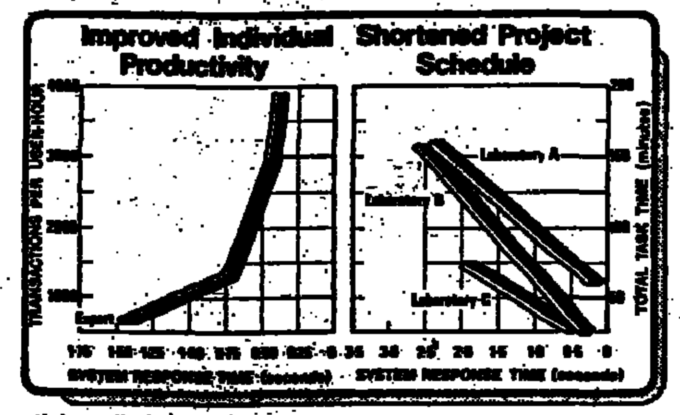
Dr Clark says the achievement is based on an approach that others in the information equipment industry will have to adopt: acquisition of leading edge knowledge followed as soon as possible time by commitment to very large scale integration of all the circuits.

After time at Stanford and a spell at Evans and Sutherland, a leading U.S. graphics company, Dr Clark and his team felt they knew exactly what to commit to *chip form*. They then made the chip production masks in-house, collaborating closely with one of the new "silicon foundries"—companies which produce chips in relatively small volumes to design tools provided by the customer.

Dr Clark is not alone in believing that these "application specific integrated circuits" (ASICs) will assume greater, and greater significance in the electronics industry. To gain a competitive edge with their products, designers will increasingly ignore standard chips (except in hig volume consumer goods) and design their own *instead to give precisely the* performance they need.

Hence Dr Clark thinks his kind of high-speed design product will be much in demand, if only to get to the market place first.

Silicon Graphics' main—interest is in supplying the workstation hardware and graphies software. Application software for almost all kinds of design



activity will be made available under a "geometry partners programme." This covers mechanical engineering design, molecular modelling in *chemistry and biology*, the graphics arts and animation, various kinds of simulation (including animated robot workstations and factory layouts), and electronic circuit design.

More than 30 application software suppliers are on the company's list and the aim is to develop new applications on a collaborative basis, as well as supplying existing packages.

Silicon Graphics already has some volume users including Ford, Boeing, and General Motors. The company has 300 *customers in the U.S. who have* purchased three to five workstations on average. Only a dozen or so have so far been sold in the UK, but the company aims to make European sales account for about 20 to 25 per cent of the total within three years.

The company's growth is impressive. It shipped its first

Dr James Clark, the founder of Silicon Graphics

products in October 1983 and in 1984 achieved sales of $13m. The expected sales for 1985 are $30m.

Silicon Graphics is operating in a boom market. According to Dataquest, the market researchers, spending on computer design worldwide topped $3bn last year and are expected to exceed $13.8bn by 1988.

Plutonium evaporator on the all-glass pulsed column rig in Dounreay's £6m fuel cycle development laboratory.

Dounreay aims for a key reprocessing role

David Fishlock on the UK Atomic Energy Authority's £6m fuel cycle development laboratory

APPLE-GREEN solutions rich in plutonium will begin to gurgle through glass columns this autumn, inside what British nuclear engineers believe may be the world's biggest glove box for isolating a dangerous operation.

On this all-glass rig they will study new ways of separating plutonium and uranium in a pulsed plate column. With its help, they hope to write a design code for pulsed columns for the new reprocessing plant proposed for the Dounreay Nuclear Power Development Establishment of the UK Atomic Energy Authority.

The idea is that the pulsed plate column will provide a deep enough understanding of the hydrodynamics of the process to allow them to bypass any pilot-plant stage before building the new European plant. This rig alone has cost about £650,000. Its first task is to test the flowsheet for the thermal oxide reprocessing plant (Thorp) under construction at Sellafield, Cumbria.

The rig is a central feature of a £6m fuel cycle development laboratory for fast reactor fuel the UKAEA is commissioning. According to Owen Pugh, assistant director responsible for reprocessing at Dounreay, nothing like it exists anywhere else in the six-nation European fast reactor club.

It has the flexibility to handle the quite different designs of fast reactor fuel used in Britain and France and will be able to process the intensely radioactive fuels taken to high burn-ups in Europe's fast reactors.

Last spring the British Government sparked controversy by declaring its support for a British nuclear industry bid to play host to the reprocessing plant which the fast reactor club members—Britain, France, West Germany, Italy, Belgium and the Netherlands—foresee will be needed in the late 1990s to reprocess spent plutonium fuel from perhaps four full-scale demonstration fast reactors developed by the club.

Before Britain joined the club, France already had plans for its own plant. It still has its hat in the ring, and urgently needs such a facility because it is just starting up its 1,200 Mw Superphenix 1 demonstrator, and hopes soon to start building Superphenix 2.

Britain's case for hosting the reprocessing plant rests on two main pillars. One is that the club will not be a club if France has all the main facilities—and reprocessing is unquestionably a key one. A more equitable solution might be for France to proceed with Superphenix-2 as a six-nation project, for West Germany to follow with its first demonstrator fast reactor and a factory for fast reactor fuels, and for Britain to build the last of the demonstrator reactors and a reprocessing plant which can cope with all four.

The second pillar of Britain's case for te *European Demonstration* Reprocessing Plant (EDRP) is the technical one. While France certainly has the lead in fast reactor engineering, Britain is the only club member with experience of reprocessing fast reactor fuel, undiluted, and returning plutonium to the fast reactor. This means experience of fuel contaminated with the higher isotopes of plutonium, which present different and difficult problems both in the chemistry of reprocessing and in handling the fuel.

Last year, a design study and cost estimate was prepared jointly by the UKAEA and British Nuclear Fuels for a fast reactor reprocessing plant large enough to service the European demonstrator reactors. The fuel cycle costs work out "considerably lower than those previously used for generating cost assessment purposes and confirm the low fuel cycle cost potential of the fast reactor," the UKAEA says.

The idea is that the plan will be built and owned by BNFL as part of the European club's joint facilities, but will be operated by the UKAEA.

The outline design is based on a plant ten times as big as the present one, to reprocess about 70-80 tonnes a year of plutonium fuel. The cost is put in the region of £200m.

The main rival is France, which is just completing TOR (Traitement Oxydes Rapides), its equivalent of the present Dounreay reprocessing facility, at Marcoule, site of its 250Mw Phénix prototype fast reactor. But TOR, expected on-stream next year has extra experimental facilities not available at Dounreay. France already has an outline design for the EDRP, which it calls MAR-600, also intended to serve four big fast reactors.

The French have made it plain that they intend to compete strongly for a project which—since only one plant will be needed until well into the next century—could give the host nation an important technological lead. Britain cannot even start to negotiate with its European collaborators until Dounreay has planning permission.

Standard computer links urged

BIG OPERATORS of "value added network services" (VANS), special services like electronic mail offered over the telephone network, should be required to implement Open Standards Interconnection, says the largest grouping of computer users in the UK.

Open Systems Interconnection is a set of standards which means that any make of computer equipment should be connectable to any other. Supported by the British Government and by most computer manufacturers, OSI has proved slow to implement because not all the standards are fully defined yet and because most manufacturers have their proprietary connection standards.

The National Computer Users' Forum, representing 22 of the principal computer users associations in the UK, says all major VANS operators should conform to OSI within 12 months of British Standards Institute Drafts for Development being available.

IBM offers converters

IBM has made it easier for users to create large, high-availability computer networks through the release of a number of converters which make it possible to attach IBM and non-IBM ASCII devices to IBM computer systems.

ASCII, the American Standard Code for Information Interchange, which simply defines how alphanumeric characters are handled in the computer language of binary digits, is used in a wide range of conventional computing systems but not IBM host processors.

So the new converters translate between the ASCII characters and IBM computer languages.

BT facing £200m capital spending cut

BY JASON CRISP

British Telecom's planned £2bn capital expenditure programme this year may be reduced by up to £200m because of late deliveries from the suppliers, according to Mr Douglas Perryman, the finance director.

The company's first quarter figures published yesterday show a small fall in spending on both telephone exchanges and transmission equipment even though BT is undertaking a major programme to modernise the network.

"Spending has not got off to the sort of start we would have liked. The cash is available, the will is there and its in the budget," said Mr Perryman.

The main problem is in exchange equipment as the modernisation of the trunk transmission network has passed its peak. BT spent £170m on exchange equipment in the three month period down £4m on last year and at least £20m less than expected. This is largely because of delays in System X, the new family of digital exchanges made by Plessey and GEC Telecommunications.

BT's pre-tax profits amounted to £443m for the first quarter ended June 30, 1985, a 39 per cent improvement on the same period last year. After allowing for a reduction in interest payable of £38m—a result of the capital reconstruction in August to prepare BT for its flotation—this represents a 27 per cent improvement.

Sir George Jefferson, the chairman, stated yesterday: "The results for the first quarter show that British Telecom's growth remains vigorous and the group continues to prosper. We are continuing to strive for further improvements in efficiency and in our services. The outlook for the year continues to be favourable."

Operating profits rose by £59m to £512m largely because of a strong growth in business particularly in the highly profitable international calls. Pre-tax profits were boosted by a £26m increase in interest receivable from short-term investments a result of BT's current strong cash flow.

Investments rose from £218m at June 30 last year to £951m at the same date in 1985. There was a positive cash flow of £208m. The net debt to equity ratio at June 30 was 37 per cent.

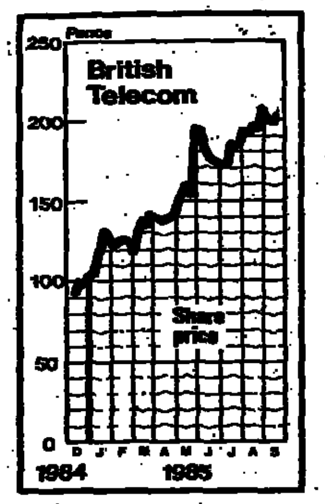
Turnover for the quarter topped £2bn for the first time at £2.01bn an increase of 11 per cent over the same period last year. As usual the strongest growth came from international calls which were up 15 per cent. Inland calls increased by 8 per cent.

Operating costs rose 10 per cent, depreciation charges roses 17 per cent to £251m and staff costs were up by 5 per cent to £714m.

The fall in staff was only 400 during the quarter a significantly lower level than the 5,000-6,000 anually that was achieved in the last three year. BT refused to make any predictions on staffing levels for this year but it was likely to be less.

Other operating costs of £446m rose 13 per cent on the same quarter last year. This was particularly high because of adverse currency changes on BT's investments in satellite consortia such as Intelsat and Eutelsat. This affected costs by £14m which would otherwise have only risen 9.5 per cent, said BT. Payments to overseas telecommunications operators rose 11 per cent to £159m.

Sir George Jefferson, chairman



BT's limited breakdown of its activities shows that turnover from rentals rose 7.2 per cent to £658m. Turnover from telephone calls was up by 12 per cent £1,094. Telex showed a particularly strong growth with turnover rising 19.7 per cent to £91m. Sales and other operating income was £166m, up 11 per cent.

See Lex

Agreed bid by Cookson for Frank Horsell

By Martin Dickson

COOKSON GROUP, the fast expanding metals and industrial chemicals company, yesterday announced an agreed £45m takeover bid for Frank Horsell Group, a printing industry supplies company, which only two months ago unveiled plans for a Stock Exchange listing.

Leeds-based Horsell, which has been quoted since 1979 on the over-the-counter market made by Granville and Co., manufactures and supplies plates, chemicals and equipment for the printing industry. Its most important product is range of presensitised aluminum plates for offset lithography printing, of which it is the only major indepndent UK manufacturer.

Cookson is also involved in the manufacture of presensitised lithographic plates, in the UK through its Cookson Fry division and in the U.S. through its recently-acquired 50 per cent stake in Advance Offset Plate of Massachusetts.

Cookson said that its greater financial resources and international trading network would help develop Horsell's business to meet the increasing demand for its products, and exploit overseas markets more effectively.

However, Cookson is paying some 37 per cent more than Horsell's over-the-counter market capitalisation earlier this week, and well in excess of the price Horsell could have achieved through a listing of its own.

The offer is 44 Cookson ordinary for every 19 Horsell ordinary. On the basis of Cookson's closing price last night of 282p, down 3p, Horsell's ordinary shares are valued at 653p and the ordinary share capital at £39.7m. Cookson is offering 19 of its shares for every 10 Horsell preferred ordinary, valuing each at 535p and the total at £5.04m.

There are cash alternatives of 606p for the ordinary shares and 497p for the preferred.

The offer has already received irrevocable acceptances covering 66.4 per cent of Horsell's voting capital. Much of that came from family trusts of the Horsell family, which has run the company for the past century.

Cookson, formerly known as Lead Industries, has seen dramatic growth in recent years, with pre-tax profits rising from £11.5m in 1982 to £55.8m last year. Horsell's pre-tax profits have grown at an average annual compound rate of 26 per cent over the past five years and totalled £3.7m in the year to March

See Lex

Rowntree lower at £20.5m but UK profits rise 13%

ALTHOUGH UK profits showed a 13 per cent increase, overall pre-tax profits of Rowntree Mackintosh dropped from a restated £22.3m to £20.5m in the 24 weeks to June 15, 1985, reflecting intense competition worldwide.

Mr Kenneth Dixon, the chairman, says that first-half profits were below the board's earlier expectations. However, the board remains confident that the strategies being pursued will suppdrt the continuing growth of the group.

The shares rose 11p yesterday to close at 373p.

The net interim dividend is being raised from 3.6p to 4p per 50p share—last year's total was 11p on record £74.5m pre-tax profits.

UK profits in the half year rose by £1.9m to £16m on turnover of £206.2m (£203.9m). The UK confectionery business increased margins and profits as cost benefits from the productivity programmes and capital investments came through.

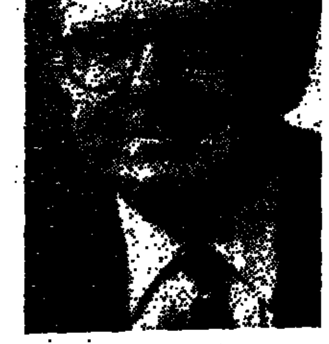
Sales volumes were down, but initiatives planned for the autumn will strengthen the company's position in the market place, Mr Dixon states.

Sun-Pat maintained its steady progress, with sales volumes and profits growing in the first half. Sooner Foods' new products helped the business to achieve another good half year's trading.

North American profits slipped from £11.2m to £10.5m, on higher sales of £153.5m (£119.3m). Tom's Foods' sales continued to grow, although the phasing of price increases left the first half profit lower. In Canada, Rowntree Mackintosh Canada suffered from difficult market conditions.

For the year as a whole, the company is expecting higher profits from North America, before taking account of an added contribution from the Original Cookie Company.

Sales in Italy and Holland were very strong, but elsewhere in Europe, group companies felt the effect of intensified pressure



Mr Kenneth Dixon, the chairman

from both competitors and distributors, and European losses doubled to £2.8m, from £97.4m (£91.4m) turnover.

Australasian profits improved to £0.6m (£0.5m) on sales down £0.5m at £24.1m, with the Australian business maintaining its progress towards higher levels of profitability.

In the rest of the world, profits fell from £6m to £4.8m on turnover of £38.2m (£40m). The result reflected a difficult environment for the group's UK exports, while the effect of the weakening rand masked a strong trading performance by the South African company.

The impact of currency movement on the comparison of the two half years is not significant.

Interest payments for the first 24 weeks were up £0.5m to £8.6m. After a reduced tax charge of £4.8m (£5.4m) attributable profits showed a decrease from £16.9m to £15.7m. Stated earnings per share were 9.4p, compared with 10.6p.

See Lex

Rain aids growth for Owners

SUNSEEKERS going overseas helped Owners Abroad Group, tour operator, to achieve substantially higher pre-txa profits, up from £15,000 to £325,000, in the six monts to June 30, 1985. In the period, the group carried a record 358,152 passengers, whihc easily beat the previous record of 244,606 set last year.

Al comparisons, say the directors, are based on a combination of in-group tour operating activities and the aviation division's seat wholesaling activities. Load factor achieved was 97.4 per

The board says these results are particularly impressive, bearing in mind the depressed state of the travel industry during the first half of 1985.

Due to the seasonal nature of the holiday industry, profits are mainly earned during the second half. The inclement weather in the UK in the summer months produced a boom for holidays abroad,

The resulting increase in bookings, which has been accompanied with substantially less discounting than in recent years, should lead to a successful second half, say the directors.

A combination of factors make Mr N. Scott, the chairman, confident for 1986. Among them, the successful integration of the various tour operators acquired by the group, the poor UK weather during this summer, and good advance indications of demand to the aviation division

Group turnover in the opening half rose from £30.32m to £44.73m.

The company's shares are traded on the USM.

Laporte 23% ahead at £27m

Laporte Industries (Holdings) is confident that 1985 will be another year of "substantial growth."

Pre-tax profits are up 23 per cent to £27.3m in the six months to June 30, 1985, although sales were slightly lower at £176.2m (£181.3m). The corresponding period for 1984 did, however, include a significant contribution from the group's pigment business, sold last September,

The interim dividend is raised 2.4p per share (adjusted) to 3.2p per share, on the capital increased by the recent scrip issue, from earnings of 12.5p per share (9.1p).

Mr R. M. Ringwald, chairman, says that the mood of confidence in the group remains strong, with most of the operations performing well. In particular, results from the two principal manufacturing regions, the UK and North America, are ahead of expectations and the worldwide Interox business continues to thrive. The group has also maintained its healthy cash position and a strong balance sheet.

In the UK, demand for inorganic products has been reasonably good but sales of building chemicals have not perfomed as well as expected, nor have sales in the UK to the electronics industry been buoyant.

In the U.S., developments have been particularly strong with good first half contributions from new and established companies in pool and spa chemicals, wood treatment and building chemicals. Recent acquisitions in Australia have strengthened the group's position there and established business sectors within Abel Lemon and Bleakley have been further developed.

Prospects for chemical distribution and earths manufacturing operations in the Far East, which are still at an early stage of development, are favourable though it will be some time before the benefits show through.

In Western Europe the French electronics business, Soprelec enjoyed a partcularly good first half while the position in absorbents was strengthened through the acquisition of the remaining shares, of Mines de Gador in Spain. This company is the largest producer in Spain of foundry and civil engineering bentonites and the only Spanish producer of bleaching earths.

Since the beginning of the year, Laporte has purchased Oil-Dri's European operations manufacturing and marketing earth products in West Germany.

The Interox companies have shown a major improvement in the first half of the year with the U.S. business achieving a greater advance in profitability than in 1984. Interox in Australia has also produced a fine set of half year results, while profits in South America and the U.K. are ahead of last year.

Acquisitions in the U.S. include two pool chemical manufacturing companies and Mineral Research and Development Corporation, which specialises in the production of a range of inorganic chemicals and timber treatment products. As a result of this acquisition, Laporte has become one of the largest suppliers of timber treatment products in the U.S.

The chairman points out that Laport's strategy of balancing its dependence on capital intensive business and of developing a broad and carefully selected range of key operations on a worldwide basis is paying handsome dividends. It also makes the group resilient to any sharp economic changes.

A breakdown of the figures shows that Laporte UK contributed £9.2m (£10.5m) of the £12.2m (£14.1m) in profit before interest of £3m (£700,000). The share of results of related companies was boosted by an increase from £8.2m to £11.2m in the contribution from Interox. After tax of £10.1m (£9.7m) and minorities of £200,000 (£100,000) the net profit was £17m (£12.4m).

● comment

With all the profit forecasts around the £27m mark there were few surprises in Laporte's results. The main feature is that last year's first half included at least £5m from the titanium dioxide business sold later in the year: the gap left by the absence of this contribution has been cmovered by a combination of interest received on the cash, trading profits from the new acquisitions and a very strong contribution from Interox. The prospects remain a little tricky to assess: Laporte has achieved a 30 per cent compound growth over the last five years but the company which investors are looking at today is a very different one from that of 1980: On one view, Laporte has got rid of a highly cyclical, capital intensive commodity business and replaced it with a high-quality, less cyclical and less capital intensive spread of businesses with higher growth potential. However, there are still those who remain to be convinced that it is a long-term growth animal. If the momentum is maintained this year the group could achieve £59m, putting the shares, up 3p at 318p yesterday, on a prospective p/e ratio of 12.

Distillers profit still rising

By David Goodhart

MR JOHN CONNELL, chairman of Distillers, which faces a possible hostile bid from the Argyll Group, yesterday told the company's AGM that the results for the first five months of its 1985-86 financial year have maintained the strong trend of the first quarter.

"On the basis of these results and in the knowledge of the benefits which emanate from the various changes in group structure and operations, your board is optimistic about the outcome of the current year," he said.

Referring to press speculation about an Argyll bid he said that Distillers had had discussions on trading arrangements with the Argyll Group in recent months "in the ordinary course of business." These talks appear to have involved the sale of Distillers drink products in Argyll shops. "These discussions have not taken place on the basis of any bid for your company," he added.

On the strength of market speculation that Distillers are on the point of making a role-reversal bid for Argyll, the retail group's share price hit a high of 345p yesterday but closed 9p up at 332p.

Distillers share price also rose 10p to close at 395p. The spirits company is known to be looking at several companies with a view to a bid.

Mr Connell also told the meeting that the continuing programme of reorganisation had led to the directors responsible for each of the four business sectors (whisky, whisky exports, white spirits and food) reporting direct to the chairman. That means the Board's Management Committee, in effect an executive committee, will be disbanded as from October 1.

He added that "this is a natural sequence to the management changes which I started introducing after I took up office in 1983."

Mr Connell said Scotch whisky exports in the first five months were 17 per cent up on last year and "we are confident that the year as a whole will show a healthy increase in our export volumes over the previous year."

The benefits of the new UK marketing organisation were also said to be beginning to show in the volume recovery achieved for sales of Scotch in the home market.

Linden Corporation

The Financial Times stated on Wednesday that Linden Corporation was not believed to own any London hotels apart from the Piaza Hotel. A. J. Hotels International points out that apart from its 50 per cent interest in Linden, it operates five other London hotels.

SPONG HOLDINGS, houseware distributor, industrial filter manufacturer and printer, recorded a pre-tax loss of £78,000 in the four months to April 30 1985 compared with a profit of £71,500 in the six months to June 30 1984. Group sales were down to £783,000 (£1.79m). Losses a share were 0.52p against earnings of 0.33p. There is no interim dividend (the 1984 total was 0.1p).

MARLER ESTATES' offer for Eccentric Club (1982) has become wholly unconditional. The offer will remain open for acceptance until further notice.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Boddingtons Breweries, Camellia Investments, Energy Recovery Investment, Falcon Industries, Renown Inc, SCUSA, Thomson Organisation.

Finals:— Audiotronic, Northern Industrial Improvement Trust, Michael Peters.

FUTURE DATES

Interims:—

Holt Lloyd International	Oct 8
Hunting Petroleum Services	Oct 25
Newbold and Burton	Sept 26
Runciman (Walter)	Oct 22
Silkolene Lubricants	Oct 8
Sunleigh Electronics	Sept 24
T & S Stores	Sept 30
Young and Co's Brewery	Nov 19
Finals:—	
City of Aberdeen land Assoc	Sept 24
FII	Sept 30
Highland Distilleries	Oct 21
Precious Metals Trust	Oct 22
Raine Industries	Sept 25

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
BPCC int.	4	Jan 6	3	—	11
Jove Investment int.	2.5	Nov 30	2.31	—	5
Laporte Ind int.	3.2	Nov 8	2.4	—	6.53
Bodycote int	2.5	Jan 3	2	—	4.5
Brown Boveri int	1	Jan 2	1	—	2.5
CASS Group‡ int	1.35	Oct 19	1.35	—	4.75
Garton Engineering int	1	Dec 2	1	—	3
Ind Fin and Invest	2.5†	Nov 7	2.15	3.5	3
Laidlaw Group‡ int	1.1	Nov 14	1.1	—	2.5
Wm Morrison int	0.35	—	0.28*	—	1.1*
Protimeter‡	1	Nov 14	0.7	1	0.7
Romco Oil‡ int	0.25	Nov 29	0.25	—	0.7
Perry Group int	1.65	—	1.5	—	4.25
Rowntree Mackintosh int	4	Jan 3	3.6	—	11
Staffs Potteries	2	Nov 14	2	3	2
Telephone Rentals int	2	Dec 2	2.25	—	6.25
Trinity 2nd int	4.2	Oct 25	4.2	—	12.2
Yula Catto int	2.5	Oct 18	2.25	—	6.0
Westpool Inv Trust	1.17	Nov 9	1.04	1.52	1.38
William Baird int	7.7	Jan 7	7	—	17.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Pound's strength trims Brown Boveri recovery

THE CONTINUING *improvement* by **Brown Boveri Kent (Holdings)** was limited in the first half of 1985 by the strength of the pound. Taxable profits improved by 6 per cent but the company says the rise would have been 14 per cent if the rates had been constant at the level of the end ofr 1984.

On turnover up by 4 *per cent* from £54.83m to £57.29m pre-tax profits were £3.51m against £3.31m. From earnings per share of 3.2p (3.3p) an unchanged interim dividend of 1p is being paid by this industrial process control and measurement group.

Last year there was a total payment of 2.5p from pre-tax profits of £7.59m.

Mr E. Bielinski, chairman, says that the rising pound mainly affected the profits in Australia, Italy and South Africa. All three produced results in their own currencies similar to the first half of 1984.

He adds that orders continued to progress at a satisfactory level and the current order book is substantially higher than at the same *time last* year, with reasonably good distribution throughout the group.

Sales were below expectations mainly because of currency translation but also because of the phasing of some major contracts.

Market penetration in the U.S. continued to develop in the period and improved manufacturing *efficiency largely* offset the effects of the pound.

The operating surplus came out at £6.41m (£5.98m) and the pre-tax figure was struck after depreciation charges of £1.57m (£1.49m) and net interest payments of £1.33m, up from £1.18m.

With taxation little changed at £1.29m (£1.26m) and minorities taking an unchanged £114,000 net profit came *out* at £2.11m, against last year's £1.9m. Ordinary dividend absorbed a same again £651,000, leaving the balance taken to reserves at £1.46m, a rise of £204,000 on the comparable half year.

Mr Bielinski says that as further steps are taken to improve productivity, coupled with the continuing programme of introducing new products, he is confident that the group will make further improvements in its performance in the second half.

The group, based in Luton is 54.5 per cent owned by BBC Brown Boveri of Switzerland.

comment

Perhaps BBK has deliberately taken a pessimistic line on foreign exchange rate to *achieve its 6 per cent increase* in sterling pretax profits. That would fit in with the market's earlier expectations of £4m for the half year but for the group's own admission that the advance in local currencies was only 14 per cent — which seems a particularly poor showing. In fact given the perfomance of the Australian dollar, South African rand *etc it is difficult to see how* the difference is only 8 per cent. Anyway the result lags well behind that of Eurotherm — there is a product overlap of around 40 per cent — and if the best BBK can achieve is £9¼m pretax this year then it is easy to see why Eurotherm's p/e stands on a few points premium. At 90p BBK's prospective multiple is 10½, which looks high enough.

Cost control helps Wm Morrison to rise 52%

Wm Morrison Supermarkets has achieved a 52 per cent increase in pre-tax profits in the half-year to August 3, 1985, making £7.19m, against £4.72m in the comparable 27 weeks.

The directors of this Bradford-based group are lifting the interim dividend to 0.35p against an adjusted *0.28p. Total dividends* in 1984-85 amounted to an adjusted 1.6, on profits of £11.73m.

Stated earnings per 10p share this time are ahead at 4.16p (2.65p), after tax of £3.34m (£2.27m).

Stringent control of labour and overhead costs and a much reduced level of new store costs has led to a greatly improved operating margin—up from 3.12 per cent to 4.26 per cent, the directors state.

The developments at Killingworth, near Newcastle, and at Rotherham are nearing completion and new superstores will open on October 22 and 29 respectively.

The board is aware of the advantages afforded by new *technology and consequently will* open both with the latest electronic point-of-sale scanning equipment.

In-store bakeries, similar to those operated successfully at Keighley and Darnall, and shortly to be introduced at Grantham, will also be a feature of these new stores.

The Killingworth store will also have a petrol filling station and at Rotherham there will be a garden centre, which is a new venture for the group.

In addition construction work at superstores in Blackburn and Dukinfield will commence shortly and both will be open within 18 months. They say that details of a further four sites will be released shortly confirming the group's commitment to continued *expansion*.

On turnover up from £162.83m to ££173.43m, raw materials and consumables charges were higher at £143.63m £137.66m), but staff costs were little changed at £12.77m (£12.06m), while other operating charges reached £6.44m (£5.59m).

From an operating profit of £7.39m (£5.08m) the pre-tax result was struck after the addition of other income of £78,000 (£2,000), and lower interest payments of £271,000 (£355,000).

comment

Wm Morrison, in spite of a good first half, is looking just a little nervous about the rest of the year. The good results were underlined by a rise in the opera*ting margin by more than a full* point to 4.26 per cent of sales. In the second half almost two-thirds of the supermarket group's capital spending is due (£12m of the year's planned total of £17½m); there will be two outings, adding 80,000 sq ft to the existing 860,000 sq ft. These will add to costs and make it hard to hang on to the margin *increase. What could* really undo the smooth progress, however, is an Asda promotional campaign rumoured to be starting in about three weeks. In the past Morrison's shares have proved to be fairly volatile and their current rating may have them at full stretch. For on an expected £15.2m pre-tax for the year the shares at 164p up 8p are on a *prospective multiple of* 18½ with a 46 per cent tax change. The downside risk appears high, especially if profit taking is followed by a major Asda onslaught.

Laidlaw up slightly at £394,000

Laidlaw Group, USM-quoted Ford main dealer, reported a slight increase in pre-tax profits from £386,000 to £394,000 in the first half of 1985, on a turnover 1.1m lower at £39.49m reflecting a small drop in Ford's share of the market.

First quarter sales and profits had shown a substantial increase on the same period *last* year, but in the second quarter, the company says Ford launched a different form of sales incentive which was much less sucessful—both Ford market share and dealer profitability were reduced.

However, July and August have seen a very large market for company products and management figures indicate profits ahead of budget. This makes the company hopeful for a satisfactory second half year's trading.

The reorganisation at the company's large dealership at Strathclyde was completed early in the year and much improved profits are looked for in the next few months. All other dealerships and particularly the contract hire and leasing company performed acceptably.

The interim dividend is unchanged at 1.1p net and the board intends to recommend a final at least the same as last year's 1.4p. Stated half-year earnings per 10p share dropped from 4.5p to 2.8p.

After tax of £154,000, against £1,000, the net balance was down by £145,000 at £240,000. The interim absorbs £94,000 (same) leaving a retained surplus of £146,000 (£291,000).

JOVE INVESTMENT Trust had a net asset value of 51.1p (51.38p) per income share and 29.74p (20.67p) per capital share as at August 31, 1985. Gross revenue for the six months was £656,798 (£646,721) and the interim dividend is higher at 2.5p (2.31p) net.

Offer for sale values AMS Inds. at £28.5m

BY LUCY KELLAWAY

THE FULL prospectus for an offer for sale of shares in AMS Industries is published today.

Barclays Merchant Bank is offering 7.5m shares at 95p, representing 25 per cent of the company, which is valued at the offer price at £28.5m. Eighty per *cent of the shares being sold are* at present owned by the company's founders, 33-year-old Mr Mark Crabtree and 32-year-old Mr Stuart Nevison.

Following the flotation, they will each own 37.5 per cent of the shares. The remaining 20 per cent will raise £797,000 in new money for the company after expenses of £617,000.

Last July AMS had been poised to come to market, when the issue was pulled at the last minute as the equity market turned sour. While conditions are now judged to have improved sufficiently, the issue price is lower than that envisaged first time around.

AMS designs and manufactures digital sound processing equipment to the professional audio and broadcast industries The company also makes powerful hand held computers, which last year accounted for about 16 per cent of turnover.

The company was founded in 1976 when the first audio sound processor was developed. Since then it has built up a range of sound processors, which sell for an average £5,000 each.

The equipment converts an audio signal into computer language in which form it is manipulated and enhanced before being translated back into an audible sound. Thus the processors can make one voice sound like several, change the speed, pitch or tone of a sound, and synchronise sound and vision for television.

Exports last year accounted for 50 per cent of turnover, and in 1984 and 1985 AMS won a Queen's Award for Export Achievement.

Profits have grown from less than £20,000 in 1980 and 1981 to £1.9m in the year to November 1984 on a turnover of £3.5m. In the current year profits are *forecast* to be not less than £3m on sales of £5m.

Based upon the forecast, the shares are being offered on a prospective price-earnings ratio of 15½ after a tax rate of 41 per cent. The yield is forecast at 1.8 per cent.

The applications list will open on September 26, and dealings are expected to start on October 4.

comment

Putting a price on a company like AMS is no easy matter. Not only are there no quoted companies to compare it to, it is so young that the track record is of limited use in determining further growth potential. To make matters worse, the whole digital audio industry is in its infancy, and although all are agreed that digital is a rapidly growing area, it is anyone's guess whether AMS will be able to perpetuate the strong start it has made in the market. In its favour is the high quality of its products which have earned it an excellent reputation with its customers, and the emphasis it places on innovation. Because it supplies a highly specialised professional market it is protected to some extent from competition from the U.S. and Japanese giants. For the time being its customers do not appear to be price sensitive, but to conclude that margins of 60 per cent can *be sustained indefinitely* would be dangerous. But if all goes according to plan, AMS's young founders may well live to regret selling their shares so cheaply.

CAIXA GERAL DE DEPÓSITOS

PORTUGAL

ACTIVITY OF THE CAIXA GERAL DE DEPÓSITOS

In 1984, as in previous years, the effects of restrictive monetary measures continued to be felt, though there were some signs of abatement in the second half of the year.

The Advices of the Ministry of Finance and the Plan, of 20th June, laid down the following alterations to the policy as regards interest rates and obligatory reserves:

- Fixing of the maximum interest rate for term deposits of 181 days to one year at 28%;
- Permission for banks to establish their own interest rates for sight deposits, notice deposits and other term deposits;
- Reduction of 1% in the interest rates for credit operations for periods of up to one year;
- Reduction of the obligatory average liquidity ratios to 12%, 8% and 6% for deposits of up to 180 days, 181 days to one year and terms of more than one year, respectively.

The non-consolidated liquid assets of the CGD at the end of 1984 totalled about 932 million contos,* thus showing an increase of 191.5 million contos, or + 25.9%.

On the same date deposits amounted to 721.7 million contos, representing a growth of 183.2 million (+ 34%) in relation to 1983, a figure that must be regarded as considerable, even taking account of inflation.

Credit granted, in terms of outstanding balances, as at 31st December reached a total of 557.9 million contos, which was an advance of 115.9 million, or 26.2%, which was higher than the increase of 21.8% attained in 1983.

During the course of the year, 25 new agencies were opened, bringing the *number of the Caixa's own dependencies at the service of thrift all over* the country, up to 325.

* 1 conto= 1.000 escudos

DEPOSITS

Last year the deposits portfolio stood at 721.7 million contos, representing *a progress of 34% in relation to 1983* and the highest since 1976 (+ 35.8%). In absolute terms, this increase amounted to 183.2 million contos, of particular note being term and savings deposits, whose expansion corresponded to a rate of 37.4%, in the amount of 145.8 million contos. This figure accounted for 79.6% of the total growth of deposits and *denoted an intensification of the weight of term deposits in the deposits* portfolio of the CGD, with a consequent aggravation of the costs of liabilities operations.

DEPOSITS AS AT 31.12.84	Thousands of contos and percentages		
	Balance	Growth in relation to 31.12.83	
Sight deposits	103,553	21,839	+ 26.7%
Obligatory deposits	82,705	15,593	+ 23.2%
Term deposits	535,491	145,816	+ 37.4%
Total	721,749	183,248	+ 34.0%

Among the term deposits, those for "up to one year" continued to register greater progress, and in *1984* they increased by *52.8% (+ 69.7 million* contos), a growth that was similar to that of the previous year and accounted for about half of the overall increase of these resources. This shows an increasing preference for the shorter term deposits, anticipated mobilization of which involves less loss than those of longer term.

The number of deposit accounts in the Caixa Geral de Depósitos at the end of the year was nearly 8 million, with an increase of 805 thousand, 75% of which were term deposits.

CREDIT OPERATIONS

Assets operations of the CGD in 1984 rose to the noteworthy figure of 770 million contos, with an advance for the year of 191.2 million, or + 33%. "Loans" increased by 115.9 million contos, as against 79.1 million in 1983, thus representing a rate of growth of 26.2%.

"Applications in national credit institutions" registered a considerable increase in its balance, owing to intensified operations by *the Caixa* as a supplier of funds on the interbank markets, in particular the Interbank Securities Market, this being largely due to reduction of the obligatory minimum liquidity ratios. The balance of these applications, which is residual, in 1983 represented only 3.2% of the total assets operations, but its share in 1984 rose to 10%.

For direct development of economic activity, financing operations were contracted last year in the amount of 198.3 million contos, *representing* an increase of about 20 million over 1983. The modest rate of this growth (+ 11.2%) was due both to the economic and financial policy measures that were implemented as regards the degree of indebtedness of the administrative and entrepreneurial public sector, which resort mainly to *the Caixa, and also to the generalized fall-off in investment,* thus leading to a considerable retraction in the demand for financial resources.

By sectors, it was "Agriculture and fisheries" and "Mining and transformer industries" that shows the most marked slowing down in terms of expansion of new operations, while credit for purchase of self-*owned housing, with 32.7 million contos of new operations,* practically regained its 1982 level, after an accentuated reduction in 1983.

CREDIT GRANTED AS AT 31.12.84 Outstanding balances	Thousands of contos and percentages		
	Balance (a)	Growth in relation to 31.12.83	
Real estate credit	231,775	41,685	+ 21.9%
Credit to Industry and Exports (b)	201,320	53,427	+ 36.1%
Credit to Central and Local Government	51,974	4,790	+ 10.2%
Credit to Public Services Corporations	40,865	8,687	+ 27.0%
Credit to Agriculture and Fisheries	20,830	2,129	+ 11.4%
Other Operations	11,138	5,197	+ 87.5%
Total	557,902	115,915	+ 26.2%

(a) Before deduction of provisions

(b) Includes credit to Public Corporations

RESULTS

Profits for the year were 8.2 million contos, which was a slight improvement over 1983 (+ 128,000 contos).

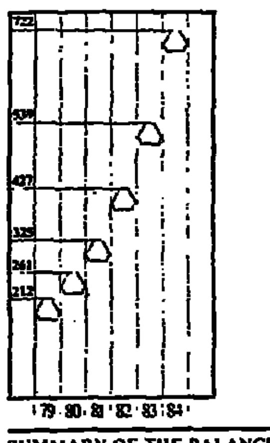
The difference between the rates of growth for costs and earnings, however, went down from 7% to 3.9%, this being largely due to the increased earnings from larger applications of resources on the interbank markets, mainly in the second half of the year.

On the costs side, the increase was 51.9%, of importance being the cost of liabilities *operations, mainly consisting of interest paid to depositors,* which accounted for 87.2% of the overall costs of the "Operation *Account*".

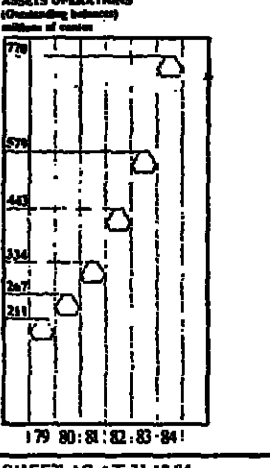
Earnings rose to 158 million contos, which was 48.1% higher than the previous year and shows that in spite of difficulties there was a considerable improvement in their rate of progress (+ 42.9% in 1983).

The net worth, before deduction of the State's participation in the year's profits, stood at 64.1 million contos, or 20.6% higher than in 1983, of note being the increase in reserves by 9 million contos.

TOTAL DEPOSITS
millions of contos

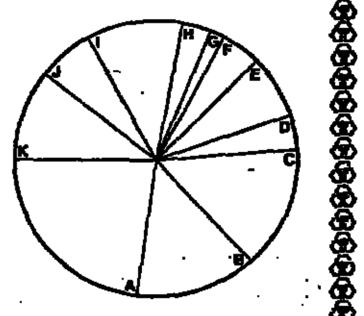


ASSETS OPERATIONS
(Outstanding balances)
millions of contos



BREAKDOWN OF ASSETS OPERATIONS
(Outstanding balances — millions of contos)

A Self-owned housing	177.4
B Building industry	108.0
C Mining and transformer industries	107.4
D Agriculture and fisheries	30.9
E Electricity	56.3
F Transports and communications	33.9
G Hotel trade	18.9
H Central and local administration	78.6
I Interbank markets and financial institutions	85.4
J Commerce	47.7
K Other applications	82.2
Total	770.0



SUMMARY OF THE BALANCE SHEET AS AT 31.12.84 — *Thousands of contos*

ASSETS	1983	1984	LIABILITIES	1983	1984
LIQUID ASSETS	61,556	64,241	DEPOSITS	538,501	721,749
INSTITUTIONAL APPLICATIONS			CHEQUES AND PAYMENT ORDERS	3,189	6,764
Credit Granted	438,424	548,467	CONSIGNED RESOURCES	48,979	37,902
Applications in National Banks	17,476	77,128	OTHER RESOURCES	30,278	30,687
Bonds, Shares and Quotas	26,707	28,490	ACCOUNTS PAYABLE	8,332	7,122
Applications of Consigned Resources	48,924	37,874	SUNDRY ACCOUNTS	57,948	63,522
Accounts Receivable	36,677	59,627	*PROVISIONS FOR SUNDRY RISKS*	17,268	19,050
Other Applications	6,094	8,988	RESERVES	27,856	36,896
FIXED ASSETS	14,293	21,502	PROFITS FOR THE YEAR	8,043	8,169
SUNDRY ACCOUNTS	90,243	85,544			
Total	740,394	931,861	Total	740,394	931,861

UK COMPANY NEWS

Staffs. Potteries down 8% to £1m as margins fall

Staffordshire Potteries (Holdings), a manufacturer of ceramic tableware, housewares and giftware, based in Stoke-on-Trent, recorded pre-tax profits down 8 per cent to £1.02m in the year to June 30 against £1.11m last time.

Mr Bill Bowers, chairman, blames the shortfall on capacity restraints at the Meir Park division, now overcome by additional capital spending of £350,000, and higher interest rates.

In spite of the group reducing borrowings by £560,000, he says, interest charges rose by £49,000, reflecting an average annual interest rate 2.7 per cent higher than in the previous year.

Group sales, however, increased by 12.3 per cent to £23.18m (£20.65m), with rises in both home and export markets.

The final dividend is 2p a share, making a total of 3p, against a single payment last year of 2p.

Mr Bowers says that the group has taken longer than hoped to recover from the recession, but its order book is beginning to reflect its policy of enhancing the *perceived value of its products* by innovation and good design.

"The success of this policy will require continued emphasis *on well-established,* longer term programmes to improve our products and reduce quality related costs." The board's overriding objective *will continue* to be reduced borrowing, he says.

Bill Bowers, chairman of Staffordshire Potteries

Operating profits were down marginally to £1.56m (£1.6m). Interest charges were £589,000 *(£490,000)* and tax took £310,000 (£117,000). There was an extraordinary credit of £130,000 (£300,000 debit), which represents a provision for closure no longer needed.

Earnings a share basic were 9.8p (14.8p) and fully-diluted 7.3p (11p).

In the Royal Winton division, margins have been under pressure, says Mr Bowers, mainly because of the *complexity of* some new product concepts, now overcome, and labour costs above budget because of seasonal demand.

Closer forward planning and co-operation with customers is now enabling the division to operate at optimum levels, he says.

Perry Group maintains volume

REFLECTING THE chairman's *optimism* in the longer term, and the group's strong cash position, Perry Group has raised its interim dividend from 1.5p to 1.65p per share; last year's payment was followed by a final of 2.75p per share.

Perry, a Ford main dealer experienced fiercely *competitive* trading conditions in the first half of 1985 but succeeded in maintaining its sales volume in spite of a small reduction in *Ford's share of the new car* market. Sales in fact rose 2 per cent to £72.26m.

Pre-tax profits show only a small advance, from £1.93m to *£1.96m, but excluding a* credit of £250,000 in the corresponding period of the previous year, profits from trading activities increased by 16 per cent. Profits *from car service,* accident repairs, parts sales and self drive hire have all shown satisfactory increases.

Interest charges are down 40 per cent to £295,000, reflecting the reduction in group borrow*ings following the sale of* Perrylease in December last year.

Tax takes £848,000 (£880,000) leaving net profits after tax of £1.103m (£1.05m). Earnings per share are 6.1p (5.8p).

Steps taken at the end of last year to improve the group's cash position have permitted the directors to move ahead with expansion plans. The capacity of the group's Borehamwood spare parts complex is being doubled, at a cost of £600,000—the project is nearing completion.

Perry's Estate Agencies is on target with plans to acquire two new offices each month up to the end of 1985 but a significant contribution to profit should not be expected from this division until 1986.

Commenting on the outlook the chairman, Mr Forbes MacGregor, says that August now accounts for more than a fifth of annual new car registrations and once again proved an excellent month for the group—both in terms of profits and sales volume.

Because profitability is influenced so much by the intense level of competition for market share in car sales between the principal manufacturers, it is difficult to predict the outcome for the second half of the year.

Mr MacGregor says the company is in good shape, however with the group's strong cash position providing a strong base for continuing expansion of existing activities.

"Longer term, we remain optimistic and believe the group is better placed than for some time to capitalise on further expansion opportunities."

Ramco dives into the red at six months

Ramco Oil Services dived £22,000 into the red in the half year to June 30 1985, as against a £664,000 pre-tax profit last time. Mr Steve Remp, the chairman of this USM company, says the main reason for the disappointing result was the shortage of contract opportunities in the North Sea platform construction yards.

Mr Remp says the upturn in this market is taking longer than expected to materialise as the major oil companies are delaying implementation of their field developments. As a *result,* he says, the outlook for the second half and early part of 1986 for companies serving the onshore construction yards is not particularly encouraging.

In view of the continuing weakness in the market, the group has begun to streamline operations to reduce costs. Beyond this year, the company's policy of broadening the scope of its operations encourages the board to remain optimistic about longer-term prospects.

Stated loss per 10p share was 0.06p (2.47p earnings), but the interim dividend is held at 0.25p net.

The chairman says the company's *coating* and access services divisions have been hardest hit, although the offshore platform maintenance activities have continued to perform well.

Ramco is continuing to develop its tubular services with four profitable plants now operating in the UK.

An extraordinary charge of £340,000 in the half-year figures represents the amount written off in the books of Thomson *Welding on its recent* acquisition by Ramco.

All round progress lifts Bodycote profits to £1.4m

HIGHER contributions from both home and abroad have lifted Bodycote International's interim taxable profits from £815,000 to £1.35m.

Bodycote, which manufactures industrial clothing and safety products, and textiles, achieved the increases on turnover ahead by *25 per cent from £15.38m to* £19.23m.

The results reflect "a good all round UK performance, enhanced by a substantial contribution *from our overseas subsidiaries,* which are back on stream," says Mr J. C. Dwek, the chairman.

Operating profit margins improved from 6.5 per cent to 8.3 *per cent — operating profits* were split as to UK £1.27m (£936,000) and overseas £314,000 (£56,000).

The interim dividend is being raised by 25 per cent to 2.5p — earnings rose by 4.33p to 10.94p *per share* — and shareholders "can reasonably expect that the final dividend will also be increased," says the chairman who adds "we should certainly now go on to achieve a record year in 1985."

Taxable profits in calendar 1984 reached £1.76m, on turnover of £31.51m, and were accom*pained by a 2.5p final dividend.* Earnings per share amounted to 14.21p.

Profits for the opening six months of 1985 were struck after *interest payable of* £233,000 (£177,000) and were subject to tax of £490,000 (£293,000).

Increased interest pegs growth at Garton Eng.

STRUCK AFTER a sharp rise in interest charges from £96,000 to £145,000, pre-tax profits of Garton Engineering showed a 2.7 per cent improvement at £265,000 for the first half of 1985, against £258,000 last time.

Mr A. B. Garton, the chairman, says that as with 1984, the first six months was relatively buoyant and results reflect this situation, after taking into account the heavy burden of increased interest rates.

Interim turnover advanced from £6.17m to £6.8m and Mr Garton says indications are that the present level of demand for company products will be maintained into next year.

The interim dividend is maintained at 1p net—last year a 3p total was paid on £457,000 taxable profits.

At the end of June, 1985, one of the company's bolt manufacturing sites was closed and this resulted in an extraordinary charge of £19,000 (£83,000) for *the half* year.

The production is being integrated into the company's other manufacturing units in Scotland and the Midlands, and *the benefits from this move are* expected to improve second half results. Last year's second half figure was £199,000.

Tax for the interim period was £59,000 (£73,000) and after extraordinary items, attributable profits were £187,000 (£102,000). Stated earnings per 10p share were 5.59p (5.02p).

Just Rubber in USM placing

By Richard Tomkins

Just Rubber, a leading manufacturer of rubber covered rollers, is coming to the Unlisted Securities Market through a placing by stockbrokers, *Quilter Goodison,* of 1.9m shares at 62p each.

The company employs 60 people at Cwmbran, Gwent, manufacturing rollers which are supplied to a *wide* range of industries including printing, packaging, paper and plastics processing, confectionery and food, and textiles. It also repairs and re-covers rollers for its customers.

It was formed in 1970 by Mr Kevin Burke and Mr Martin Tebbutt, joint managing directors, who were then employed as *draughtsmen* in the rubber industry. It started as a sub-contracting manufacturer of rubber mouldings but turned to *specialist* roller covering during the 1970s. Mr Stanley Constable joined as *finance director* in 1977.

Of the shares being placed, representing 25 per cent of the issued share capital, some 1.3m are being issued by the company and *the balance* by existing shareholders — the joint managing directors and finance director.

The placing will raise about £650,000 net for the company, and it plans to use the proceeds *to* expand production capacity at Cwmbran.

Just Rubber's market capitalisation at the placing price is £4.65m. It has net assets of £980,000 and turnover *in the* year to last January was £1.6m.

Pre-tax profits in the year to January were £503,000 against £301,000 the year before. The directors forecast a profit of £575,000 for the current year, putting the *shares on* a prospective p/e of 11.1 after a notional 35 per cent tax charge.

IFICO up by 43% to £1m

Industrial Finance and Investment Corporation, a *banking and finance company,* raised pre-tax profits by 43 per cent from £731,794 to £1.05m in the year to June 30, 1985, its eighth successive year of profits rises.

The final dividend is 2.5p, *making a total of* 3.5p against 3p.

Turnover was up sharply to £5.19m compared with £2.18m, including £2.91m £520,974) in net proceeds from the sale of investments *and equipment* and £2.28m £1.66m) i nfees, commissions, interest and other income.

Mr Christopher Norland, chief executive, says the acquisition last March of East of Scotland Onshore, a *specialist* energy *investment* trust, has opened up opportunities by introducing institutional shareholders, enlarging the capital base and providing the cash for strategic development.

The *nature of the group's* activities is changing, he says. The Finance Act 1984 changed the face of the asset financing industry. Until recently the demand for IFICO's finance procurement services, both for local authorities and financial and corporate lessors, has been buoyant.

But the volume of business is *tailing off and margins* are being squeezed, he says. There is still a substantial market for the flexible funding of assets and IFICO's *asset funding* has been restructured accordingly.

The acquisition in August of Douglas Allen Spiro, an estate agency, signifies IFICO's first diversification into such service areas.

UK COMPANY NEWS

Profit centre system seen as saviour of sausage maker

New recipe for old ingredients

In the aftermath of a takeover, how does a predator company go about integrating its new acquisition? **David Goodhart looks at the case of Northern Foods, which has just announced major job losses at Bowyers, which it bought in June.**

Mr Nick Horsley, chairman of Northern Foods

WEDNESDAY'S announcement of more than 500 job losses at Bowyers, the sausage and pie group, was the culmination of three months intensive analysis by its new owners, Northern Foods.

But the rationalisation was scarcely a surprise. The Hull-based milk distributor and food manufacturer (turnover £1.27bn) was not buying blind when it paid Unigate £21m for Bowyers in June, and some slimming had been expected.

Rarely can a company have had such a clear idea of what it was acquiring. Northern was already a direct competitor through its main meat group subsidiary, Pork Farms, sharing many of the same suppliers and customers. Pork Farms' relative success — it made £11m pre-tax profit on £126m sales last year — had also been attracting management talent from the ailing Bowyers.

Northern had been keeping a watching brief on Bowyers for several years and was thus able to time its bid perfectly.

"For a long time our Pork Farms management had been warning us off but then quite suddenly their attitude changed," commented Mr Chris Haskins deputy chairman of Northern.

Bowyers' recent history justified the earlier caution. Unigate, which bought Bowyers for £42m in 1973, never found a winning team and management turnover remained alarmingly high. There were six managing directors in the past 10 years.

Throughout the 1970s it was the second largest meat products manufacturer in the UK but it faced stern competition from the largest, Unilever's Wall's, which could rely on its parent's market muscle.

Despite strength in the Suoth, Bowyers failed both to move upmarket in the last few years and to exploit the shift to own-brand labelling by the big retailers. Last year it incurred a loss of £1.5m on sales of £15m.

Add to that the rise in pork prices earlier this year, which also hit Pork Farm profits, and the apparently knock-down price tag of £21m, split between £3m for the share capital and £18m of debt, begins to seem reasonable.

But why had Northern changed its mind about the famous old sausage company, founded in 1808? Partly because, as is often the case prior to takeovers, Bowyers had made a determined start on tackling some of its main problems.

Realising its overcapacity it closed the Liverpool factory in 1983 and the recently-appointed managing director, Mr Roger Davenport, had made a promising start in reforming the company, according to Mr Haskins. Mr Davenport decided to stay with Unigate and Mr Barrie Gardner has now taken over as MD.

The second, more nebulous, reason has to do with the growing confidence of Northern's own senior management in the meat business, which they entered in earnest only in 1978 when they bought Pork Farms.

Since then its net book value has risen from £3m to £50m and annual pre-tax profits have risen from £3m to £11m. More importantly, Pork Farms has successfully shifted emphasis from traditional hot and cold pies to fresh premium-priced products.

The emphasis on quality, cleanliness and product innovation has won it the loyalty of retailers such as J. Sainsbury.

Mr Haskins and Northern chairman Mr Nick Horsley clearly believe a similar transformation can be effected at Bowyers. But first their attention has been fixed on the more conventional post takeover concerns—rationalisation and the integration of Bowyers into Northern's management system.

Despite the unusually high quality of Northern's intelligence it was still pleasantly surprised at the state of Bowyers—a telling comment of the mutual ignorance in many takeover deals.

"The facilities are better than we expected and so are many of the people," said Mr Haskins.

Northern inherited five factories (Plymouth, Sherburn, Witney, Amersham and Trowbridge), 3,300 employees and £115m turnover to add to its own Meat Group sales of £154m.

Overcapacity made at least one closure inevitable although some analysts were surprised that it was Amersham, which has been extending its range in fried products — where 483 jobs will go by next April. Mr Jack Crystal, finance director, explained that a lot more money would have had to be spent on Amersham than the other plants.

The remaining Bowyers factories are now being merged with the ten existing Meat Group units for administrative purposes, but the brands and their marketing will remain quite distinct.

Mr Crystal added: "Bowyers is a very strong brand name and it would be folly to drop it. There is also a geographic distinction, with Pork Farms stronger in the Midlands and Bowyers in the South West."

Retaining the distinct products will still allow for some savings. Joint buying should benefit in a few areas such as fuel oil; minor areas of duplication can be cut out; and two computer systems will not be needed. Additionally, Mr Haskins believes Bowyers working capital was £2m more than needed when they took over on July 1.

But it is the less easily quantifiable shift from Bowyers orthodox cost centres to Northern's profit centre system that Messrs Haskins and Horsley see as the crucial long-term improvement.

The decentralisation implicit in profit centres has already led to a major cut at Bowyer's Trowbridge head office, where 54 jobs will go. Bowyer's plants are also going through what Mr Crystal describes as an education process in the new system.

Under a profit centre regime all 14 units in the Meat Group, for example, control all their costs, including those usually borne by head office, such as sales and marketing, and calculate their own profit figure as if an independent company. These are sent on to head office every Friday.

"Cost centres tend to centralise more power in the self-perpetuating oligarchies at head office," said Mr Haskins. "With profit centres we get instant feed back on problems rather than discovering them weeks after they have blown up."

If a factory manager is responsible for more of his own costs he tends to keep them down. Profit centres, Northern believes, are thus good motivators. Through the high level of information people acquire about the business and their place in it, it also fits with Northern's progressive industrial relations policies.

There remains some uncertainty in Bowyers despite the latest announcement. Because of Northern's profit centre emphasis strongest support appears not surprisingly to have come from local management and most suspicion from Trowbridge. Discussions with the unions have only just begun in earnest.

Customers will also have to be assured that the 25 per cent of the £1bn pie and sausage market, which the combined Meat Group now represents, is not going to stifle competition.

But the numbers are looking encouraging. Northern, which is undertaking an immediate £3m to £5m investment programme in plant and machinery, is confident of taking the company to break-even this year.

"We will then be looking for a £4m to £5m profit in 1986," according to Mr Haskins.

Most of the analysts are more optimistic. They are predicting an overall rise in Northern profits next year from £55.4m to £73m and they expect a one-off profit of £5m-£6m from Bowyers before settling down to a slightly lower figure.

Longer term growth will remain, to an extent, dependent on the movement of pork prices, but also on Northern's ability to spread Bowyers out from its base in the south/south west and to diversify its products upmarket along Pork Farm lines. If it succeeds Northern might be qualifying for the model small take-over of the year award.

A second article will look at the aftermath of Dixon's takeover of Currys.

Yule Catto falls to £4.9m

A DROP in its plantations' profitability is reflected in the fall from £6.23m to £4.89m in *interim pre-tax profits of Yule* Catto & Co, the other principal interests of which are in industrial chemicals and building products.

Lord Catto, chairman, reports that the yield per hectare of oil palm fruit at the Malaysian subsidiary was 37 per cent down compared with the first six months of 1984 and average prices for crude palm oil and rubber were 16 and 22 per cent lower respectively. The drop in plantation's profitability was mitigated to an extent by the inclusion of income from Keratong Estate, which was acquired in July 1984.

Growth in the chemical division was hampered by less favourable exchange rates in converting overseas earnings and by the late commissioning of new plant at Doverstrand, where problems have been experienced with a computerised process control system. Steps are being taken to improve the efficiency of the plant and a return to profitable operation is anticipated by the end of the year.

The building products division made good progres and should *achieve higher levels of business* for the fulll year.

Realisation of the investment in Goal Petroleum for £4.2m, group's already strong cash flow in March, 1985, has boosted the group's already strong cash flow, with liquidity improving £11.9m in the first six months. In view of the sound cash position and high dividend cover, earnings per share are 11.0p (11.9p), the interim dividend is increased from 2.25p to 2.5p per share. Last year's total payment was 6.0p per share. Assets per share are up from 216p to 232p at June 30, 1985.

Turnover of the group was down slightly at £63.51m (£64.11m); tax was £1.97m (£2.93m) and after minorities of £649,000 (£861,000) the net profit was £2.27m (£2.43m).

● comment

Palm oil production and prices have delivered something of a blow to Yule Catto. *Revenues in* Malaysian dollar terms in this half were only 37 per cent of that for the same period in 1984. While more palm oil will be pro*duced in the second half* (the rain gods were more kindly over Jahore during the flowering season for this period's crop) the market does not expect prices to average more than M$900 a tonne—30 per cent down on the average price for the first half. In the chemicals division revenue cannot be expected from Doverstrand until 1986 due to delays in start up and bugs in the computer system. The shares have fallen away from the 250p region—the sector anyway has been a marked underperformer of late—to 185p, down 17p, yesterday. Unlike some other plantation companies Yule Catto's share price is not supported by a good yield. Apparently the main shareholders prefer it this way. Forecasts for the year have been trimmed sharply, down from £13½m to around £11m. Until palm oil prices show consistent signs of rising the best that can *be said is that the downside is* limited by asset backing.

Merseyside problems hit Trinity

NUMEROUS PROBLEMS were encountered by Trinity International Holdings — formerly Liverpool Daily Post & Echo— in the opening half of the year and profits fell from £3.29m to £2.67m in the 26 weeks to June 29.

The company had foreseen at the end of last year that a heavy cost burden would fall on its Merseyside weekly newspapers as they were re-positioned in their markets and production relocated.

In the event, the sustained resistance of the National Graphical Association delayed and made more difficult these moves, which have now been effected, but inevitably at greater financial cost.

Together, these factors account for the group's half-yearly profits falling back from the 1984 record.

The directors say that for the rest of 1985 there is no hard evidence to suggest any major upturn in general business activity which could substantially improve first half performances of the company's papermaking and packaging or North American activities.

Even so, the company's recent heavy capital investment in improved technology and enhanced capacity in these sectors means *it is better equipped than most* to benefit from opportunities that may arise.

However, with no resurgence of the economy on Merseyside likely to return the company's daily newspaper profits to acceptable levels, its path to a secure future lies in a reduction of the cost base and in more flexible attitudes to production. To this latter end, an advanced electronic single-keying system has been purchased for installation later in the year.

In papermaking and packaging, the istallation of a new heavy duty corrugator at Stoke with its exceptional cost and transitory internal disruption, was not allowed to interupt service to customers.

In Canada, the Surrey Leader bi-weekly paper near Vancouver continued to advance its market share and profits despite the sluggish business climate. The company's U.S. markets remain highly competitive and new *titles were launched in suburban* townships in Pittsburg.

Group turnover for the first half advanced from £36.39m to £42.41m. UK tax was down from £974,000 to £673,000, and overseas tax was little changed at £480,000 (£492,000). Attributable profits came out at £1.52m (£3.48m, which included an extraordinary credit of £1.65m).

The interim dividend is unchanged at 4.2p, but stated earnings per 50p ordinary stock unit fell from 16.3p to 13.5p.

Wet summer boosts start to year for Protimeter

THE WET summer has been good news for Protimeter, the designer and maker of moisture measuring instruments. In the first two months *of the present* year the company reports an upsurge in orders for moisture meters from farmers, which has helped it have a good start to the year.

That follows another year of progress by the Buckinghamshire-based USM quoted company, in which turnover incerased by 17 per cent and taxable earnings rose by 16 per cent.

In the year to the end of June 1985 on turnover of £1.33m (£1.13m) pretax profits were £459,000 against £396,000 for the previous year. From earnings per 5p share up by 0.4p to 3.3p the board is recommending a final single payment of 1p, compared with 0.7p in 1983-84.

Mr Ernest Gobert, chairman, says that the substantial increase *is* intended to be an exceptional adjustment to bring the dividend cover down to an acceptable level.

He adds that good progress was made in th year. The increase in turnover and the development of new products was achieved at a slight cost to margins but increased prices reversed the trend towards the ned of the year.

Several new products began to contribute towards the rise in sales, particularly the Protimeter Diagnostic Mk 111 and the Protimeter Digital Grainmaster.

During the year exports increased their share of turnover from 30 per cent to 32 per cent. A number of good export agreements were signed with organisations in Sweden, Holland, Germany and the U.S..

Recovery at Amber Day continues

Amber Day Holdings, a retailer and manufacturer of clothes, returned to overall profitability in the year to May 25, in line with its expectations.

Pre-tax profits rose from £36,000 to £364,000 on turnover up to £9.38m against £8.81m. After tax of £87,000 (£61,000) net profits came out at £277,000, against a loss of £25,000.

The company says the results reflect the benefits of eliminating borrowing and the impressive performance of John Kent, an associate company, which contributed £248,000 (£178,000). Operating profits were £350,000 (£395,000) with interest receivable £14,000 against £359,000 payable.

Earnings would have been even better, says the company, had not spring sales been affected by the miners' strike and poor weather. The same factors made for a slow start to the current autumn/winter sales. But in recent weeks there has been an increase in demand for spring/summer ranges for 1986.

However, it says, until this improved trend is confirmed, preference dividends, last paid in April 1981, will not resume. Payment of ordinary dividends has also been suspende dfor four years.

There were no extraordinary items (£391,000), leaving attributable profits of £277,000 (£366,000). Earnings a 20p share were 0.43p against losses of 1.52p

Hogg disposal may need approval

BY JOHN MOORE

Hogg Robinson Group, the international insurance broker, may need shareholders' approval *to divestits important Lloyd's* underwriting agency, Janson Green.

Mr Albert Wheway, the group chairman, said at yesterday's annual meeting that the "board is conscious of its responsibility to secure the best offer on behalf of shareholders" who are aware no doubt of the time limit and restrictions imposed by the Lloyd's Act (of Parliament).

"Your board will keep shareholders adequately informed and may need to seek shareholders' approval to the divestment," he said.

Like all Lloyd's insurance brokers, Hogg Robinson has to sever shareholding links, by July 22, 1987, with companies managing the *affairs of Lloyd's* underwriting members in accordance with legislation passed in 1982.

Lloyd's has been forced to accept the requirement by Parliament, which identified potential and actual conflicts of interest in the existing Lloyd's structure. Over half of the 114 underwriting agencies affected have completed divestment arrangements.

But at Hogg Robinson delicate negotiations are underway with the management of the broking group and the management of Janson Green, one of the market's most influential underwriting agencies where the management is attempting a buyout.

Hogg Robinson is under pressure in negotiating a price which *is attractive for its shareholders.* Moreover, the broking group only holds 20 per cent of the *voting shares of* Janson Green although it controls the non-voting shares.

The broking group is also in divestment discussions with its underwriting agency, Gardner Mountain and Capel-Cure Agencies.

At the annual meeting, Mr Wheway *was asked whether* he had considered including the underwriting members whose *affairs Janson Green look after* directly in any buy-out arrangement. He replied that the group had "considered a number of schemes" and that it was attempting to balance the interests of shareholders, the management of the agency, and *the underwriting members* in the negotiations.

Regarding trading, he said that *growth in the broking business* which started last year was continuing. The group had made additional *senior appointments* which "further strengthen the management team in our broking business and we *believe that this* will lead to an improvement in our overall market share.

"*On the other* hand the continuing strength of sterling against other currencies will *have an impact on our results* and it is difficult to forecast the effect of this for the current year," he *said.*

Despite currency movements, he said "profits for the first few *months are ahead on the corres*ponding period last year."

TR pays £8m for Cass

BY FRANK KANE

Telephone Rentals, the communications group which claims to be second only to British Telecom in apparatus supply and service, yesterday announced an agreed offer for Cass Group, valuing the company at £7.9m.

Cass announced on August 6 that it was in negotiations with several unspecified other companies which could *lead to an* offer, and this pushed the group's shares as high as 205p at one stage. However, TR's all-share offer—three of its own ordinary 25p shares for every four of Cass's 10p ordinary—values Cass at 135p per share, exactly the opening price on August 6.

It is understood that other potential bidders were put off by *the possibility of difficulties in* the Mitel PABX marketing operation, which has incurred *sizeable start-up costs. In the* end, TR were the only buyers left in the field.

Mr Wilfred Cass, the group deputy chairman whose family holds a total of 68.7 per cent of the shares and who have recommended the offer, said last night that he was "very comfortable" about the terms, and rejected suggestions that TR would acquire control at a knockdown price. He said, however, thata there would not have been a deal if the large Cass shareholding was not pledged for it.

Mr Eric Cass, the chairman and chief executive who holds some 3.39m shares, or 58 per cent of the total, is to resign along with his brother on completion of the deal. This is in line with his stated intention to reduce his commitment to the company and provide for strong management succession.

TR said that the telecom*munications activities of itself* and Cass were entirely complementary, and the acquisition would provide it with an entry into the health care market, principally in emergency signalling in hospitals, residential homes and sheltered housing, which it considers will be of "strategic importance" during the next decade.

Both companies also produced yesterday their interim results for the first half of 1985. Cass saw pre-tax profits slightly up from £457,000 to £488,000 in the period to June 30, on turnover down at £4.95m (£5.24m): The company decided to close down all the activities of the leisure division, and this has now ceased trading. Earnings per USM *quoted share* came to 5p (4.2p), and the dividend is held at 1.35p.

At TR, profits rose from £6.68m *to £7.13m in the same period on* turnover of £34.35m (£35.44m). Mr Gus Moore, group managing *director, said that* the rather disappointing result was due primarily to the overseas sub*sidiaries, especially in the* Irish Republic and Australia. Overseas profits were down 25 per cent in sterling terms.

The interim dividend was raised from 2.25p to 2.5p on earnings down from 6.51p to 6.1p, and the company intends to recommend a final of 4.5p (4p).

Brewery takeover talks off

BY CHARLES BATCHELOR

Midsummer Inns, a real-ale pub chain, has pulled out of takeover talks with **George Bateman & Son**, a family-owned Lincolnshire brewer, leaving a mystery over Bateman's plans.

Midsummer announced on September 4 that it had reached agreement in principle to acquire Bateman, which has 90 pubs in Lincolnshire and surrounding counties.

Mr Adam Page, *Midsummer's* chairman, said: "Since then the deal has been on and then off. In the end we said we would pull out. The whole thing is totally unsatisfactory."

Bateman is believed to have reached agreement with another purchaser but Mr George Bateman, chairman, and a 40 per cent shareholder in the group, refused to comment yesterday.

*Midsummer, which twice in*creased its bid for Bateman, refused to reveal the value of its offer. *The two sides* began talks in early August after Bateman invited offers. Midsummer made a formal offer on August 13.

Mr Bateman's brother, John, owns 40 per cent of the brewery and their sister, Helen, 20 per cent.

It is understood there has been a disagreement between Mr George Bateman and his brother and sister over the deal.

*Trading was resumed in Mid*summer's shares on the USM yesterday at 274p. The listing had been suspended at 265p on September 4, at Midsummer's request.

Jebsens losses at £8.8m

Jebsens Drilling, USM quoted supplier of offshore drilling units, incurred higher pre-tax losses of £8.8m in the first half of 1985, against £3.9m last time. Deficit per 25p share increased from 20.9p to 32.2p.

Turnover for the six months was £19.3m, against £17m in 1984, which included a lump sum payment of $22.3m by Petro-Canada. This was in respect of the early termination of the contract for the drillship Pacnorse 1 which was spread over the cancelled period of that contract—January 1 1984, to October 31 1984.

Although rig utilisation in the North Sea *was in excess of 90* per cent for most of the first half, day rates failed to increase due to the *prevalence of short*-term contracts coupled with a surplus of drilling rigs.

The company's semi-submersibles achieved a 94 per cent utilisation rate in the period and Pacnorse 1 was fully employed except for a one month period *for a scheduled dry docking.*

Giving an overall utilisation of 90 per cent as at mid-September, the company's three semi-submersible rigs are fully employed; Aladdin under its contract to December 1986 with BP and Sinbad Saxon and Ali Baba on short-term work in the North Sea. Pacnorse 1, which recently completed a job for Shell Tunirex is in Malta, mobilising for another short-term programme for the com*pany expected to commence* on or before September 28 1985.

In early June, a new loan arrangement was agreed in principle with the banks. It recognises the current depressed state of the offshore drilling market and significantly reduces near-term debt service requirements.

The company says its cash *position is healthy* and it can therefore continue to operate from a secure financial base.

Gross losses were £2.7m (£0.6m). Pre-tax results were struck after administration expenses £1.8m (£1.5m), exchange losses £1m (£0.7m gains) and net interest charges of £3.3m (£2.5m). Tax credits were £2.2m (£2m) and minorities accounted for £1.5m (£1.3m).

Aurora share plan

Aurora, the Manchester-based *engineering group, has published* details of the proposed consolidation of its two share classes.

The consolidation is intended to correct the anomolous current situation whereby 97 per cent of the group's total equity is held in the form of preferred ordinary shares.

The scheme, which is to be put to an extraordinary meeting on *October 9, involves the conver*sion of the 9 per cent preferred ordinary 10p stock into ordinary *10p shares.*

If approved, the company intends to pay a net interim dividend of 0.3p next month and a final dividend of 0.45p next May. It also intends to adopt a "progressive" dividend policy.

On these forecasts, the aggregate dividend receivable by a prefrred ordinary holder for the current year would be at least 1.2p.

BPCC climbs 14% to £11.4m

A 14 per cent profits increase was achieved in its traditionally quieter first half period by the British Printing & Communication Corporation.

With the taxable result up from £10.02m to £11.43m, Mr Robert Maxwell, the chairman and chief executive, says "we are well on the way to becoming a leading international publishing and communications group."

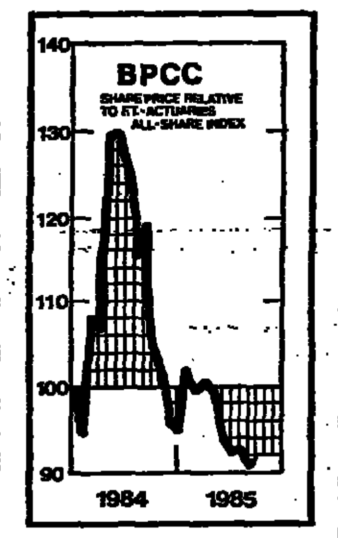
Turnover for the first six months of 1985 advanced from £112.64m to £126.31m, generating an operating profit of £15.38m, against £14.48m. The bulk of BPCC's profits are earned in the second half since its major customers' national publications have a substantially higher number of pages and copies printed through the autumn and Christmas periods.

Mr Maxwell says that good first half results were achieved in the magazine and catalogue division, where "earlier teething problems have been eliminated and we received the expected benefits from our new equipment."

Similarly, the Prepress Corporation, another area of heavy investment in new technology, again "improved its profitability, and can be *expected to achieve further* substantial progress."

The packaging and labelling operation also showed a significant improvement, he says, but expresses disappointment over delays caused by print unions in the rationalisation of *Purnell* & Sons. The delays "have caused a very substantial loss of profits in the period."

BPCC, which is a subsidiary of the Pergamon Group, is increasing its interim dividend by 33 per cent to 4p, although earnings



per share fell from 9.7p to 6.8p, reflecting the non-availability of group relief payments from the Pergamon *Group which contributed £4m* in the first half of 1984.

Mr Maxwell says the reorganisation of the gravure plants, which represent 75 per cent of the country's gravure printing capacity, has been completed with a further reduction of 740 jobs.

At least two-thirds of the redundancies will have taken place by the end of this month. "This restructuring successfully completes the original survival plan (initiated four years ago) *with the co-operation of* all the print trade union," he says.

In addition to the labour and other cost reductions at Odhams-Sun Printers and Purnell, he says that substantial investment in *prepress and web-offset printing* equipment has been made.

See Lex

William Baird pushes up halfway profits by 16%

William Baird, clothing manufacturer and industrial insulation contractor, based in Glasgow, increased *pre-tax profits by 15.8* per cent to £4.89m in the six months to June 30 against *£4.22m last time*, with both sectors making progress.

The interim dividend is raised by *0.7p to 7.7p* per £1 share and the board intends to recommend a final of not less than last year's *10.5p.*

Group turnover was up to £106.65m (£93.84m) and operat*ing profits* increased to £6.51m against £5.45m. This included £4.4m (£3.96m) from Baird Textiles, £1.54m (£1.05m) from Darchem and investment income of £571,000 (£446,000).

The increase in the turnover of Baird Textiles, a third of the clothes of which go to Marks and Spencer, reflects improved efficiency and output in manufacturing, says Mr T. D. Parr, chairman.

The strength of the product range was again an advantage, he says, enabling growth to con*tinue in poor weather.*

Darchem, which lifted turnover to £31.08m (£27.07m), *extended* its engineering, says Mr Parr, and work on large nuclear plant contracts remained at a *high level.*

Historically, he says, a high proportion of Darchem profit has accrued in the second half. The degree of advance in profits over the first half of 1984 reflects a changing pattern between the half-years in 1985 rather than a trend for the whole year, he says.

Pre-tax profits were struck after central administration expenses of £185,000 (£195,000) and interest charges of £1.44m (£1.04m). Tax took £1.22m (£1.25m), giving attributable profits of £3.67m (£2.97m). Earnings per share were 19.5p (15.8p).

● comment

Given the performance of some textile companies the 11 per cent rise in operating profits by Baird's textile business is acceptable if not quite as good as some outsiders had hoped for. The gloss on the results came from the engineering division, however, with a 47 per cent jump by Darchem. Even allowing for the fact that it was able to use pre-payments to good effect in the money *market* the rise is impressive. Though shareholders should resist the temptation to extrapolate the interim advance across the year. The business is becoming more diverse and less seasonal. All in all profits could come out around £13¼m pre-tax, a rise of 12 per cent, which leaves the prospective p/e at just over 7 assuming a tax charge of 25 per cent. Bearing in mind that £25m of the £71.5m market capitalisation at 380p is represented by cash then the core business is valued at less than five times earnings. The shares are historically relatively cheap but *if it goes on for much longer* a predator must surely be tempted.

COMPANY NEWS IN BRIEF

BTS GROUP, manufacturer and supplier of fast-fit accessories to the motor trade, performed ahead of budget in the early part of the year, Mr Alan Stote, chairman, told the annual meeting. The expansion of the battery business was particularly gratifying, he said. The company remained confident of a satisfactory profit increase over last year.

FRIEDLAND DOGGART Group, manufacturer of sound signalling equipment, injection and compression moulding and plastic toys, recorded pre-tax profits down to £725,000 (£1.11m) for the 24 weeks to June 16 on ex*ternal sales of* £5.77m (£6.15m). There is no interim dividend (2.8p) in view of the recommended *offer* by MK Electric, the formal document for which was posted yesterday.

WESTPOOL INVESTMENT Trust saw net profit for the year to April 30, 1985 rise from £1.36m to £1.69m on gross income of £3.04m (£2.62m). After tax of £783,000 (£506,000), earnings per share came out at 1.72p basic (1.38p) or 1.47p fully diluted (1.18p). A final payment of 1.174p makes a total for the year of 1.518p (1.38p).

NORTON OPAX has exchanged contracts to acquire Whitethorn Press, publishers of the series of "County" magazines, from International Thomson Publishing, part of the International Thomson Group. Consideration is to be equal to the tangible assets of the business at September 30, 1985, which are expected to amount to £80,000-£100,000, plus a payment of £250,000 in respect of goodwill. The purchase will be satisfied as to £300,000 by the issue of £297,719 new ordinary *shares in Norton* which will be placed on behalf of the vendor *with investment institutions*, and the balance in cash.

SELINCOURT: Stormgard has now acquired or received acceptances for a total of 50,282,942 Selincourt ordinary (93.1 per cent). The ordinary and preference offers remain open for acceptance until further notice.

MERCANTOIL which supplies services and equipment to the offshore oil industries, has announced pre-tax profits of £290,000 for the six months to end-June 1985, compared with £121,000 for the year to December 1984. Turnover was £5.54m (£3.89m). The group has completed the acquisition of Associated Offshore-Onshore Services Pte.

WINTRUST's shareholders at the AGM were told by Mr George Szpiro, the chairman, that "I have every expectation that pro*fits for the full year will be at* record level."

ABERDEEN AMERICAN Petroleum Company, unquoted exploration copany, saw pre-tax *posses for the first half of 1985* increase from £407,000 to £556,000. Oil and gas sales rose *to £441,000 (£303,000) but an* increase in the costs of abortive exploration from £234,000 to *£494,000* contributed to *higher* operating losses of £672,000 (£407,000). That was reduced by higher interest income of £116,000 (£18,000).

MAGNET & SOUTHERNS' sales to date this year were at a level comparable with last time, which included the pre-VAT boom, Mr Tom Duxbury, the chairman, told the annual meeting. The company's markets continued to show no signs of growth, while competitive pressures had resulted in lower margins.

BANK RETURN

BANKING DEPARTMENT

	Wednesday September 18 1985		Increase (+) or decrease (—) for week
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	2,092,757,810	—	216,840,562
Bankers Deposits	747,506,760	+	13,772,945
Reserve and other Accounts	1,471,611,654	—	61,021,859
	4,326,431,224	—	264,089,476
ASSETS			
Government Securities	545,777,771	—	39,670,000
Advance & other Accounts	594,231,421	—	1,736,066
Premises Equipment & other Secs.	3,184,534,529	—	218,076,642
Notes	3,323,458	—	4,553,054
Coin	564,045	—	53,714
	4,326,431,224	—	264,089,476

ISSUE DEPARTMENT

	£		£
LIABILITIES			
Notes in circulation	12,096,676,542	—	25,446,946
Notes in Banking Department	3,323,458	—	4,553,054
	12,100,000,000	—	30,000,000
ASSETS			
Government Debt.	11,015,100		—
Other Government Securities	1,604,909,495	—	297,495,655
Other Securities	10,484,075,405	+	267,495,655
	12,100,000,000	—	30,000,000

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	11½%	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Sec. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

APPOINTMENTS

Senior Powell Duffryn posts

POWELL DUFFRYN has made changes in board responsibilities and senior group appointments. On September 30 Mr J. A. Mills, a non-executive director of Powell Duffryn, will be appointed to the board of Hamworthy Engineering and will become chairman in succession to Mr W. G. Andrews. Mr J. H. Pascoe, chairman of the group's fuel distribution activities, will also be chairman of the group's bulk liquid storage activities, in succession to Mr W. G. Andrews. On December 31, Mr M. A. Wilkinson will be appointed chairman of the group's shipping activities in succession to Mr J. R. Carr, who has tendered his resignation and will resign from the board of Powell Duffryn and its subsidiary and associated companies on that date.

Mr H. N. Hargreaves will be appointed president of Powell Duffryn (USA), resident in the U.S., in succession to Mr Wilkinson. He will be responsible for the group's U.S. engineering activities and relinquishes his present appointment as marketing director of Hamworthy Engineering. Mr A. E. Darling will be appointed group financial controller on January 1. Mr P. J. W. Shuttleworth will be appointed secretary, Powell Duffryn, on the retirement of Mr J. Seagrave on April 1.

★

LAZARD BROTHERS & CO has recruited Mr Kevin Wilson as an assistant director to run Lazard Brothers Money Broking. Mr Wilson is treasurer of London and Scottish Marine Oil where he has been since 1984.

★

BESPAK has made the following changes in the roles of three senior directors from October 1. Mr R. H. King, deputy chairman and a non-executive director since November 1984, becomes chairman and chief executive. Mr King succeeds Mr R. E. Dexter, who remains as a non-executive director for a transitional period. Mr A. A. Schumann is relinquishing the managing directorship in order to pursue a new career in the arts, but remains on the board.

★

Mr Peter W. Wake has been appointed financial director of ANTOCKS LAIRN, a subsidiary of Wagon Industrial Holdings.

★

Mr C. G. Stapleton has been appointed a non-executive director of TRADE FINANCE INTERNATIONAL.

★

Mr Horst Jerreatrup, Mr Colin Bingham and Mr Michael Woodman have been appointed to the board of HENKEL CHEMICALS.

★

NORTH THAMES GAS has appointed Mr Peter Smith as director of finance. Mr Smith, who joins North Thames on November 1, is director of finance for North Eastern Gas in Leeds. He replaces Mr Barry Reynolds who has become director of accounting services at British Gas.

★

Mr J. D. Willetts and Mr G. S. Willetts have been appointed joint managing directors, and Mr P. C. Newbold a director, of J. SAVILLE GORDON (TUBES & FITTINGS), the heating and engineers merchants division of the J. Saville Gordon Group.

★

ALLIED LONDON PROPERTIES has appointed Mr Donald Smith as an executive director. Mr Smith is managing director of the Sterling Homes Group subsidiary and will retain this position.

★

Mr Carl J. Tricoli has been appointed manager of REPUBLICBANK DALLAS, London Energy Banking Group. He replaces Mr Michael D. Long who has returned to Dallas as division manager of the Eastern interstate division in the corporate banking group.

★

New chief for Owen Owen

OWEN OWEN has appointed Mr Bryn G. Harries as managing director from November 1. Mr Harries was for 26 years with Marks & Spencer in a wide range of functions including buying, distribution and store development. In 1982 he was appointed managing director, and later chairman, of Berlei (UK).

★

Mr Paul Myners, chief executive of Gartmore Investment Management, and Mr Jack A. G. Wilson, chief executive of London Forfaiting Company, have been appointed to the board of EXCO INTERNATIONAL.

★

Mr L. J. Santerre, president of AmBrit Incorporated, has joined th board of STEAUA ROMANA.

★

Mr John E. Hillyer, formerly group treasurer with Ocean Transport & Trading, has been appointed finance director of PANOCEAN STORAGE & TRANSPORT.

★

Mr L. J. Austin, deputy chief representative in Europe of the RESERVE BANK OF AUSTRALIA has returned to Australia and is succeeded by Mr L. J. Phelps.

★

MICHAEL BLACK has recruited Mr John Orr as financial director designate. Mr Orr was formerly a commercial manager with a Unilever subsidiary in Scotland. Michael Black is a subsidiary of Emess Lighting.

★

BANK OF AMERICA has appointed Mr Ronald V. Emerson as manager of its London corporate office, where he is responsible for all the London-based lending groups; the operations marketing section, and the international treasury unit. He was previously operations manager of the UK, Ireland and Nordic region.

★

Mr Janusz Malicki has been appointed general manager of the London branch of BANK HANDLOWY W WARSZAWIE SA, replacing Mr Tadeusz Barlowski who is returning to Warsaw to become vice-president of the bank.

★

Mr Nigel Slade, who is in charge of investment support, has been appointed a director of ALLIED DUNBAR AND CO, the banking services subsidiary of the Allied Dunbar Group.

★

Mr William Reid, manager, money market at BANK OF SCOTLAND has been appointed resources manager in succession to Mr Jack Dodds who is retiring on September 27. Mr Angus Cameron will take over from Mr Reid as manager, money market on September 28.

★

MASSTOR SYSTEMS INTERNATIONAL has appointed Mr Richard A. Milley as director of marketing for Europe. He was director of marketing western region, U.S.

★

ROLLS-ROYCE has appointed Mr A. D. Jackson as director of international affairs.

★

MACEY WILLIAMS has appointed Mr Ian Watson a director from October 1. He was previously an assistant director.

★

Mr Roger Mahoney is to join CHARLES FULTON to lead its UK foreign exchange broking operations. He was formerly director of foreign exchange at Godsell Astley & Pearce, part of Exco.

★

Mr Victor Tyrrell, who recently retired as regional general manager, Greater London (North) regional head office, has been appointed a member of the Central London regional board of LLOYDS BANK from October 1.

★

Dr Leandro Delgado has resigned as general manager of BANCO PORTUGUES DO ATLANTICO, London branch, and is returning to Portugal to join Banco Comercial Portugues, a newly formed Portuguese privveta 0
private bank where he will be head of the international and treasury departments.

★

BASS has made the following board appointments: Mr B. O. Langton and Dr A. D. Portno to be appointed directors from October 1. Mr Peter Williams will retire from executive duties on October 31 and Mr A. W. N. Lake on January 31; both will remain on the board. Mr D. A. Urquhart will become chairman of Hedges & Butler in succession to Mr Lake on November 1. Mr Urquhart will continue as chairman of Southern Beer division and director responsible for group marketing.

★

Mr J. F. H. (Jim) Park has been appointed a director of ICI petrochemicals and plastics division. He is replaced as the division's general manager, films, by Mr C. A. (Kees) Bokmans, currently general manager, purchasing and head of the corporate purchasing group.

★

Mr Charles F. Shoolbred has been appointed secretary of MERCANTILE CREDIT CO from October 14. He succeeds Mr Derek M. Minter who is retiring.

★

HOWARD MACHINERY has restructured its board. Mr D. M. Saunders has been appointed chairman and chief executive in place of Mr G. R. Hill who resigns on October 1. Mr J. G. Hemingway, Mr E. E. Ray and Mr N. D. Dunnett continue as directors. The following directors have resigned: Dr J. T. Braunholtz, Mr B. W. Flinn, Mr C. J. Great, and Mr D. J. Palmar. Mr B. J. Adkins has resigned as group director of finance.

★

ALLEGHENY'S INTERNATIONAL GROUP, has appointed Mr Victor Prior as president and managing director of its industrial division. He was manager of the electro-optical surveillance division of Marconi Avionics. He succeeds Sir Ronald Ellis, who has assumed responsibility for technological development for all the group's operating units, and will be its prime contact with Government departments, universities and research institutions. As a director of the International Group, he will also continue as non-executive chairman of Graviner and Pains-Wessex.

★

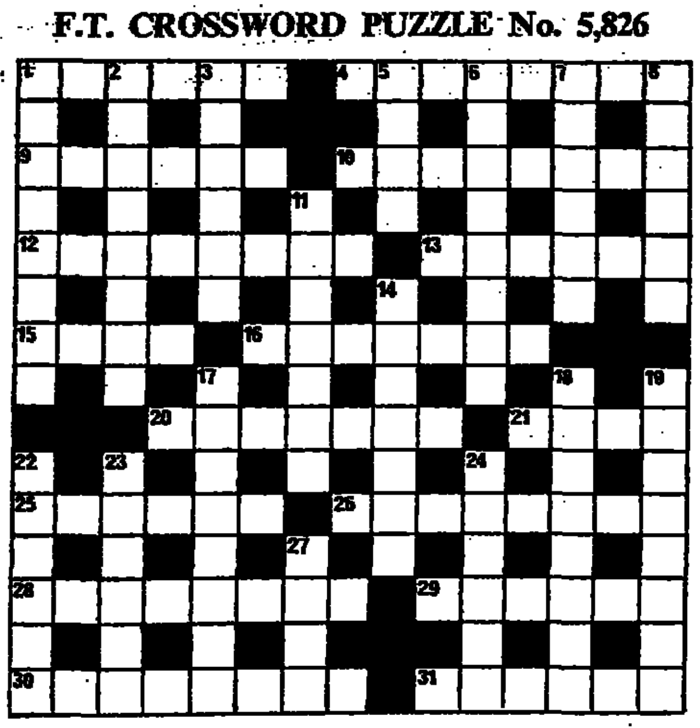
Chairman at AGB Communications

Mr Kenneth Trench has joined AGB COMMUNICATIONS as deputy chairman and chief executive. Ms Barbara Burrows, previously editorial director, has been appointed director, corporate publications division, and Ms Gillie Gray has been apopinted director, PR division. Mr Geoffrey Morgan, who has been managing director of AGM Communications since 1981, has resigned.

★

Mr A. R. Grant has been appointed director and general manager of GEC INSTALLATION EQUIPMENT, fusegear division. Mr Grant was previously general manager of GEC Meters, energy management systems division, Stafford.

F.T. CROSSWORD PUZZLE No. 5,826



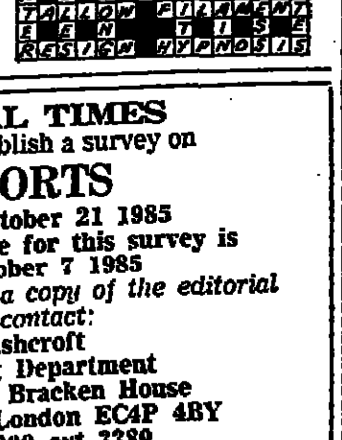
ACROSS

1 Flier making a childish complaint (6)
4 The man seeking perfection wants ties laid out (8)
9 Spent on railway food (6)
10 Ignore a special reduction (8)
12 The skinhead danced naked! (8)
13 First woman to go to King George I in distress (6)
15 Rugby union not out for defeat (4)
16 Secrecy—the last alternative (7)
20 Sociable creature living in a high-rise building (7)
21 Many were in a hurry to get a quantity of herrings (4)
25 The number of the Spanish flat (6)
26 Some curt contrary patron (8)
28 Flag to stop on a road (8)
29 Do better than an individual gangster (6)
30 Withdrawing again—losing interest (8)
31 Object when put in temporary accommodation (6)

DOWN

1 Parts, yet maybe gets together—that's material (8)
2 Fall on others in control (8)
3 Fights for what's left over (6)
5 Cover-up involving a political body (4)
6 Account the clerk free from error (8)
7 Accustomed to being rude in dreadful fashion (6)
8 The heartless having the right to impose some restriction (6)
11 One may expect people to go to pot at this hour (3-4)
14 Militant Romanian leader displaying ill-temper (7)
17 Fed-up with the last champion (8)
18 Flora's plain words about lip (8)
19 A set grin affected by the most irritated (8)
22 The property-owner lacking gold (6)
23 Deny soldiers are not able (6)
24 Music-writing family (6)
27 None managed to get port (4)

Solution to Puzzle No 5,825



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.1	68.2	+0.1	3.15
Accum Units	94.8	100.8	+0.1	3.15
Pearl Inc.	90.0	95.7	+0.6	5.15
Pearl Unit Tst.	93.7	99.7	+0.5	4.22
(Accum. Units)	158.4	168.5	+0.8	4.22

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	185.8	199.4	-0.3	1.97
Income	142.3	152.4	+1.1	5.43
Worldwide Recovery	103.4	111.0	+0.1	2.67
American Growth	53.6	57.5	+0.4	1.02
Intl. Emerging Cos.	57.9	62.2		0.74
Far East Growth Fd.	47.0	50.5	+0.1	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	102.6	109.9		0.27
Prolific Extra Inc.	62.3	66.3	+0.3	6.10
Prolific Gilt Cap	82.7	86.3		3.19
Prolific High Inc.	134.3	142.9	+0.7	5.25
Prolific Intl.	81.3	87.1	-0.2	1.78
Prolific N. Amer.	108.8	116.4	-0.5	2.53
Prolific Spec. Sits.	143.8	153.0	+0.9	1.61
Prolific Technology	95.2	102.0	-0.6	1.04

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.6	52.7	+0.3	..
Worldwide	48.3	51.2	-0.1	1.95
European Trust	53.2	56.3	-0.1	2.13
North American	48.2	51.1	+0.2	2.41
UK Equity	50.7	53.7	+0.1	3.97

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	324.0	344.6	+2.2	3.70
Holborn European Trust	—	50.0		1.08
Holborn Gilt Tst.	155.5	162.6	-0.1	8.73
Holborn High Inc	55.2	58.7	+0.3	7.17
Holborn Intl	61.5	65.4	-0.1	0.41
Holborn Japanese Trust	—	50.0		0.06
Holborn N. Amer Trust	—	50.0		2.27
Holborn UK Growth	64.2	68.2	+0.6	2.86

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	90.6	96.4	+0.2	1.68
Do Accum	94.3	100.4	+0.3	1.68
TSB Extra Income	83.0	88.3	-0.1	6.41
Do Accum	95.5	101.6	-0.1	6.41
TSB General	120.1	127.7	+0.9	3.44
Do Accum	194.4	206.8	+1.5	3.44
TSB Gilt & Fxd Int	47.3	49.3		9.40
Do Accum	58.1	60.6		9.40
TSB Income	166.7	177.4	-0.1	4.99
Do Accum	251.4	267.5	+1.1	4.99
TSB Pacific	100.9	107.4	+1.7	0.74
Do Accum	103.4	110.1	-0.2	0.74
TSB International	226.4	240.9	-0.2	2.02
Do Accum	275.6	293.2	-0.2	2.02
TSB Natural Resources	43.6	46.4	-0.3	2.13
Do Accum	43.9	46.8	-0.3	2.13
TSB Sletd Opps.	47.0	50.0	+0.4	2.46
Do Accum	51.1	54.4	+0.4	2.46

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	66.4	71.0	-0.1	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	63.4	67.8		0.44
Australia	29.9	31.9	-0.2	0.10
Commodity	84.8	91.3	-1.1	1.88
Energy	37.9	40.5	-1.1	0.34
Equity	101.3	108.0	+0.9	3.93
European Spec. Sits.	55.9	59.8	-0.5	0.75
Extra Income	91.0	97.3	+0.1	7.58
Financial	201.6	215.0		2.34
Gilt Capital	222.6	233.1	-0.2	3.25
Gilt Income	99.8	104.5	-0.1	8.56
Gold Income	57.5	61.5	-0.5	1.61
Gold Acc.	103.8	111.0	-1.0	1.61
Income	58.9	63.3		5.64
Japan	44.8	47.8		0.10
Malaysia & Singapore	23.5	25.1	+0.5	0.80
Pacific Income	61.8	66.1	-0.2	0.50
Pacific Re Inv	75.8	81.1	-0.2	0.50
Preference Share	16.0	17.3		10.10
Professional	490.9	523.6	+1.5	2.10
Special Sits	76.7	82.0	+0.3	1.02

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.41	+0.14	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$12.92	−0.03	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.21	−0.06	—
Dynamic Gwth Fd	$8.27	−0.02	—

Money Market Trust Funds

The Charities Deposit Fund
77 London Wall, London EC2N 1DB — 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	11.30		—	3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. — 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	11.15	8.33	12.35	6mth
7-day Fnd	11.42	8.54	12.64	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. — 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	11.16	8.34	12.26	6-Mth
7-day Fund	11.42	8.54	12.57	6-Mth
Dollar	6.62		—	6-Mth
Money Mngt. Acct.	11.00	8.23	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11.25	8.41	12.50	Qtr
Mth. Int. Chq.	11.125	8.32	12.56	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.32	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.23	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	9.00		13.30	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.00	8.22	12.18	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.25	8.25	12.32	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc.	10.70	8.00	11.93	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Cheshartons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.70	8.00	11.89	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc.	11.18	8.35	12.46	Qtr
Money Acc.	11.218	8.35	12.48	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	10.90	8.15	12.30	Mth
Over £10,000	11.15	8.33	12.60	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5SE 0752 24141				
High Int Chq Acc.	11.61	8.83	13.04	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect.	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Debenhams	32	**Property**	
Distillers	36	Brit Land	14
FNFC	12	Cap Counties	20
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
"Imps"	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	48
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

EEC fights back in grain sales war

BY IVO DAWNAY IN BRUSSELS

THE EEC has acted swiftly to fight off further cut-price U.S. grain sales to North Africa or the Middle East by raising sharply the minimum guaranteed export subsidies available to traders.

The move follows the U.S. sale of 500,000 tonnes of wheat to Egypt under its so-called BICEPS export bonus scheme and comes amid rumours of another imminent deal with Algeria.

By lifting the so-called *droit commun* — the subsidy permanently on offer for export sales —from Ecu 41 to Ecu 55 ($42) a tonne, the European Commission is attempting to match the prices for soft red winter varieties available from the Americans.

The failure of an Algerian sale to materialise and the clear escalation of the subsidy-war depressed prices yesterday pushing Chicago rates down marginally to $94 a tonne and Rotterdam's to $132.

As the current EEC intervention rate stands at around Ecu 179.4, the Ecu 55-a-tonne subsidy is aimed at keeping European produce competitive in traditional North African markets. But the trade now fears that the size of the U.S. sale to Egypt will all but rule out further substantial orders in that particular market for the time being.

EEC producers and traders the alarmed that heavy stocks and the price squeeze may encourage buyers to stay out of the market in anticipation of further falls. The Soviet Union, for example, still has 1.1m tonnes remaining out of the 4m tonnes it agreed to buy from the U.S. this year.

Other grain exporting nations are also said to be feeling the pressure. A U.S. offer to the Yemen, also under the BICEPS programme, has been viewed as unwarranted aggression in a market usually reserved for the Australians.

Since July, there have been complaints from the trade that insufficient subsidy-support from the Commission is losing the EEC its normal rate of sales. Certainly compared to the early successes of last year, these are down.

At the end of August, only 1m tonnes of wheat were committed against 4m at the same time last year. Though sales of 500,000 tonnes of flour were an improvement, a similar quantity of barley compares poorly with 2m tonnes last time. These are now said to be picking up.

Overall, however, the outlook is looking as bleak for sellers as it is cheery for buyers. At the end of last month, about 17.5m tonnes were in Community intervention stores with the figure rising daily. World oversupply and new exporting countries are expected to maintain pressure on prices for some time yet.

Meanwhile, the Commission yesterday refused all bids for the export of soft wheat for the second week in succession at its cereals tender. But it authorised the export of 169,000 tonnes of barley.

● World wheat stocks are likely to rise to 141m tonnes next year, 48 per cent above their level at the beginning of this decade, as a result of five successive seasons of oversupply, the International Wheat Council said yesterday. It forecast Soviet import demand this season at 36m tonnes, 1m below its previous estimate and 20m below last year's imports.

Preussag falls into line with zinc price cut

By Our Commodities Staff

PREUSSAG OF West Germany yesterday belatedly followed Metallgesellschaft's lead in dropping its zinc price by $50 to $780 in tonne.

The move had been widely expected and had little effect on prices on the London Metal Exchange where three-month, high-grade metal closed down £5.50 at £517.50 a tonne.

Other major producers supplying the European market, notably Australian and Canadian groups, who have yet to drop their European prices are now expected to follow suit.

Nevertheless, the fact that the current round of price cuts has so far taken three weeks and is still complete highlights the strain which falling free market prices have placed on the zinc producers' informal agreement to move together in setting the European producer price. In the past the producing companies have usually taken Metallgesellschaft's lead and changed prices within days of each other.

Output cuts have also so far failed to raise the price of zinc which is used extensively in making galvanised iron sheet. Yesterday the Japanese smelters became the latest to announce production cuts. They intend to reduce output in the six months to March 1986 to 5 per cent below that of the preceding half-year.

The Japanese blamed low prices and an expected drop in exports, mainly of galvanized iron sheet.

The sheet acounts for some 40 per cent of Japanese zinc use and about 40 per cent of the sheet is exported.

They said the smelters operated at an estimated 74 to 75 per cent of their combined 1m tonne annual production capacity in the six months ending September 30 this year.

An official with ane major zinc smelter said domestic zinc prices are now below several smelters' production costs, but did not name the companies concerned.

Producer move sends nickel to 1½ year low

BY STEFAN WAGSTYL

NICKEL PRICES on the London Metal Exchange dropped sharply yesterday on reports that some nickel producing companies had stopped buying in the market.

Three-month metal fell £160 from Wednesday's unofficial close of £3,400 a tonne before recovering later to finish at an unofficial closing price of £3,282.50 a tonne, the lowest level for 18 months.

Traders said speculators holding metal sold heavily to cut their losses while others pushed prices down further by entering contracts to sell at the new, low, levels. "There was a bit of a panic," said one.

Some traders blamed the fall on reports that nickel producers, primarily the Canadian company Falconbridge, had stopped buying metal. Falconbridge denied that it had shifted its position in the market in recent days. However, it said that it had done market since the end of June. "very little" in the market since the end of June. "You could say that our presence has been sorely missed," it said.

The LME nickel market was very thin, so the effects of buying and selling on prices were magnified "in the extreme." LME stocks were only a small fraction of the world annual consumption of over 500,000 tonnes, said Falconbridge.

Nickel prices have been weak for most of this week after the LME announced on Monday that its stocks of the metal had risen by 240 tonnes to 5,228 tonnes, when a fall had been widely expected.

Yesterday's price drop took nickel below the psychologically-important level of $2 a pound. Traders said that the timing could be significant since major producers and consumers are currently negotiating contracts for supplies for the last quarter of 1985.

Meanwhile, the nickel producers—who have struggled to improve profitability in the past two years, often after bearing heavy losses in the early 1980s—continue to drive to cut costs. This week, Canada's Inco, the world's largest nickel group, announced plans for 1,274 voluntary redundancies at its Sudbury mines.

Hides sales suspended

BY ANDREW GOWERS

BRITAIN'S £100m trade in ox and cow hides is likely to be plunged into confusion next month, following a decision by England's three selling centres to suspend their fortnightly public auctions.

Representatives of the auction centres—Leeds, Manchester and Birmingham—decided unanimously at a meeting in Sheffield last week to suspend auctions for the time being from October 1, as a result of diminishing use of them by the trade, and of their failure to agree on establishing a single national market.

Ten years ago, 75 per cent of hides sold in England are estimated to have gone through public auction. That figure has now declined to around 28 per cent, according to Mr R. Wood, a Sheffield hide merchant and chairman of the Midland Area Sales Association. "That is getting to be a ridiculous situation," he said yesterday.

Instead of selling through public auctions, many buyers and sellers are now fixing deals by private treaty, with prices apparently based on those quoted at the auctions. In addition, the three centres have been unable to agree—either between themselves or with buyers—on setting up a single auction centre to reflect the contraction in business.

Way clear for EEC beef deal with Soviets

By Ivo Dawnay

MARKET MANAGERS at the European Commission yesterday authorised a 20 per cent price cut for special sales of beef for export to allow a substantial contractw ith the Soviet Union to go ahead.

The agreement is understood to have been tailored for M Jean Baptiste Dumeng's Inter-Agra company to complete a 175,000 tonne deal with Moscow.

The price for the meat—mainly from old stock long in Community intervention stores—will be reduced by about a fifth from the Ecu 1,400 a tonne floor currently established.

Technically, the option to buy beef at this rate is open to other traders if they can find buyers for substantial qualities in excess of 60,000 tonnes.

The new sale terms were presented as a unique opportunity by Commission officials last night. But there are doubts as to how many other contracts might be landed.

Euro-MPs reject chocolate scheme

By Our Commodities Editor

EFFORTS TO liberalise trade in chocolate in the EEC suffered a setback yesterday, when a European Parliament committee rejected a proposal from the European Commission for new chocolate stnadards which would permit manufacturers to use less cocoa in their products than at present.

The Parliament's environment and consumer protection committee adopted, by a substantial margin, a report from a French deputy arguing that the Commission's plan would lower the quality of chocolate products in Continental Europe.

The outcome of yesterday's debate was being closely watched by chocolate manufacturers, particularly in Britain, and by cocoa producing countries, which fear that the Commission proposal would sharply reduce the amount of cocoa consumed in Europe.

Making a living in a 'dead' market

FOR THE past couple of years, financial contracts have increasingly looked like the belle of the U.S. futures industry ball, with agricultural markets forced into the role of neglected wallflowers.

But despite the shift, there are still a few brokerage firms around to prove that all that glisters is not necessarily financial.

Blunt, Ellis and Loewi (BEL) a regional securities, corporate finance and futures brokerage headquartered in Milwaukee with 73 offices spread throughout the Mid-West, is one such company. It is an anomaly in the business: nearly three-quarters of its business is done in agricultural commodities, and it is profitable.

This is in marked contrast to a series of other firms which, in search of greener pastures, have plunged headlong into the financial markets, and thence into oblivion. BEL believes that such fast-money fads are not conducive to the construction of a solid long-term business.

Now a subsdiary of Kemper Financial Services, the New York-based diversified conglomerate, BEL, was founded in 1928, in another era when the spectre of depressed farm income was already stalking the fields of U.S. agriculture. Now it boasts sales ranging (CHECK) from $60m to $75m a year.

The profit potential for brokerages serving the agricultural futures markets was considered virtually boundless during the inflationary 1970s. Today few brokerages are interested in catering to the depressed agricultural sector, believing that these markets hold no promise for future growth. However, according to Mr Peter Pfeffer, BEL's vice president for commodities, profitability has merely shrunk within more "reasonable" limits. "What you have to remember is that most of that volume was due to speculative trading. Now, the availability of risk capital is somewhat diminished, as are land values. The conclusion that agricultural markets are 'dead' depends upon whom you ask."

Mr Pfeffer does admit, though, that BEL's proportion of agricultural business has declined to 75 per cent from 90 per cent over the past three years. That, he says, was a policy decision in the face of changed market circumstances. "It's true that the financials have increased in volatility and popularity, but this doesn't mean that the agriculturals should be cashiered. There is a market share out there, and it wouldn't be wise to abandon it," he says.

Continuing his series on the U.S. brokerage industry our Chicago correspondent reports on a firm which did not jump on the financial futures bandwagon

U.S. Markets in Transition

In contrast to the now moribund ContiCommodity Services and DLJ Futures, BEL did not jump ship when the immediate market winds shifted. What it did instead was allocate more resources towards financials than it had previously while maintaining its significant market commitment to grains. Furthermore, the firm makes sure that its personnel are capable of handling the changed markets. This philosophy is reflected in BEL's training programme. Each broker candidate must endure an intensive 13-week training course covering all aspects of futures brokerage. Survival brings a six to 12 month probationary period in the field. The training costs average $25,000 per candidate.

The typical candidate is about 30 years of age or over, has a history of economic success, a sales background and consistent record of experience and knowledge in the chosen futures area. Mr Pfeffer underlines the importance of each qualification: "Those in their early twenties, by and large, don't yet have the perspective to understand that dessert comes last. Furthermore, that person's job until very recently was getting a college degree, so the experience isn't there. Of course, there are exceptions."

The criteria "sales background" and "economic success" can mean different things, says Mr Pfeffer. "Sales experience doesn't mean an extensive record of fast-talking, pushy customer conquests. What we look for is a pattern of long term customer satisfaction and confidence. Also, economic success means the ability to successfully manage one's finances, whatever the amount."

Unlike Refco, Drexel, DLJ and others that pay highly to attract talent from competitors, or to acquire the firms themselves, BEL prefers to develop its own capabilities. "It comes down to the three C's—capital, commitment and consistency," Mr Pfeffer says. "We have a $900m backing from Kemper, a solid core of professional, long service staff and a philosophy of providing continued service to our traditional customers. Eighty of our 500 brokers do most of the business for the company."

BEL's management says the problem with today's firms and the individuals who compose them is that they show more interest in maintaining ever-increasing quarterly earnings or furthering immediate personal ambitions than is warranted. Instead, BEL fosters a corporate environment which emphasises team work, stresses long-term objectives and places the welfare of the firm ahead of the star player. The result, it claims, is a loyal, skilled and knowledgeable workforce. "In the shorter run, the latter may not be as materially rewarding, but in the long haul it pays off for all concerned," said one executive.

The corporate record seems to bear out these beliefs. Since the commodity section was formed in 1973 only six of its support staff have departed. All of the brokers and specialists hired at that time remain. Financially, BEL's gross operating income and total revenue are up 29.2 per cent and 32.5 per cent respectively from the same period last year, apparently solid growth for a firm maintaining a commitment to what others consider a dead market.

Previous articles in this series appeared on August 14, August 23, and September 11.

LONDON MARKETS

COFFEE FUTURES values yesterday resumed the decline which they started on Wednesday afternoon, ending the recent rally. The November position, which at one stage on Wednesday reached £1,740 a tonne, ended the day £10.50 down at £1,702.50 a tonne, reflecting a firmer tone in sterling and the continued absence of significant developments at this week's meeting of the International Coffee Organisation in London. The talks on export quotas for the 1985-86 coffee year, which will continue next week, paused yesterday so that progress so far could be assessed. The cocoa futures market was also easier, in line with the overnight tone in New York, but the decline was contained, dealers said. LME prices supplied by Amalgamated Metal Trading

INDICES

FINANCIAL TIMES

Sep. 18	Sep. 17	M'th ago	Year ago
255.72	256.46	252.42	289.35

(Base: July 1 1952 = 100)

REUTERS

Sep. 19	Sep. 18	M'th ago	Year ago
1726.5	1726.6	1698.0	1865.2

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 18	Sept. 17	Month ago	Year ago
Spot	111.49	111.80	—	125.26
Fut.	114.08	114.17	—	125.10

(Base: December 31 1974 = 100)

BASE METALS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	780-1	—12	726.5/725.5
3 months	743 4	+12	756/742

Official closing (am): Cash 725-.5 (731-.5), three months 748-.5 (753.5-4.5), settlement 725.5 (731.5). Final kerb close: 745-6. Turnover: 29,275 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	1005-6	—5.5	1010/1008
3 months	1029.5-30	—4	1059/1024

Official closing (am): 1,007.5-8 (1,012.5-3), three months 1,031.5-2 (1,036.5-7), settlement 1,008 (1,013). Final Kerb close: 1,022-3.

Cathodes			
Cash	990-2	—2	991/991
3 months	1014-5	—2.5	—

Official closing (am): Cash 991-2 (996.8, three months 1,015-6 (1,021-3). settlement 992 (998). Turnover: 16,325 tonnes. U.S. Producer prices: 66/68 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	
Cash	292-3	—5	292/283
3 months	300.5-1	—4	303/297

Official closing (am): Cash 298-9.5 (296-.5). three months 298.5-.75 (303-304). settlement 289.5 (296.5). Final kerb close: 296-8.5. Turnover: 15,900 tonnes. U.S. spot: 18.5/20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	3225-45	—107.5	—
3 months	3280-5	—117.5	3425/3240

Official closing (am): Cash 3,220-30 (3,335-7), three months 3,280-400 (3,398-400), settlement 3,230 (3,337). Final kerb close: 3,270-75. Turnover: 3,196 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9166-8	+3	9172/9178
3 months	9118-22	+2	—

Official closing (am): Cash 9,170-2 (9,160-2), three months 9,113-6 (9,110-9,113), settlement 9,172 (9,162).

Standard			
Cash	9166-7	—2.5	9179/9167
3 months	9115-7	+2.5	9113/9165

Official closing (amb): Cash 9,169-70 (9,158-60), three months 9,110-1 (9,110-9,111), settlement 9,170 (9,160).

Final Kerb closing: 9,110-20. Turnover 1,230 tonnes. Straits tin M$30.03 (30.05) a kilo.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	512.5	—1	—
3 months	517-8	—5	527/515

Official closing (am): Cash 515-7 (552-552.6), three months 520-2 (526-7), settlement 517 (522.5). Turnover: 8,900 tonnes. U.S. Prime Western: 41/41.75 cents per pound.

GOLD

Gold rose $1¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $316½-317. The metal opened at $314¾-315¼ and traded between a high of $317-317½ and a low of $314½-315. Trading volume was quite light and comprised mainly position squaring ahead of today's U.S. third quarter GNP flash estimate.

GOLD BULLION (fine ounce) Sept 19

Close	$316½-317	(£237-237½)
Opening	$314¾-315¼	(£237 237½)
M'n'g fix	$315.90	(£236.541)
Aft'n'n fix	$316.50	(£236.539)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$321 321½	(£239 239½)
½ Krug.	$168¼-168¾	(£125¼-125¾)
¼ Krug.	$85¾-86¼	(£63¾-64¼)
1/10 Krug.	$35¼ 36	(£26¼-26¾)
Mapleleaf	$327 327½	(£243¼-244)
New Sov.	$75¼-76	(£56-56½)
½New Sov	$45½ 46¼	(£34-34½)
Old Sov.	$80-81½	(£60 61)
$20 Eagle	$460 500	(£343¼-373¼)
Noble Plat	$305½ 309	(£228½-231)

SILVER

Silver was fixed 3.35p an ounce higher for spot delivery in the London bullion market yesterday at 444.35p. U.S. cent equivalents of the fixing levels were: spot 593.2c, up 4.6c; three-month 605.1c, up 4.7c; six-month 617.1c, up 5.5c; and 12-month 644.45c, up 6.45c. The metal opened at 444-446½p (590-593c) and closed at 445½-448p (595-598c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	444.35p	+3.35	446.5p	+5.5
3 months	455.55p	+3.30	458.75p	+5.25
6 months	466.90p	+4.00	—	—
12 months	492.00p	+4.15	—	—

LME—Turnover: 39 (68) lots of 10,000 oz. Three months high 457p, low 456p, final kerb 457-9p.

RUBBER

PHYSICALS—London closing prices (buyers) for RSS No 1: spot 61.25p (61.00p); October 59.75p (58.75p); November 59.75p (58.75p). Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1: 184.5 (183.0); SMR 20 183.0 (149.5).

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept 19 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$995/1015	—5	$1055/75
Copper			
Cash h Grade	£1006.50	— 3.5	£986
3 mths	£1029.75	—4	£1015.25
Gold Troy oz	$316.75	+1.75	$336
Lead Cash	£292.5	—5	£298.25
3 mths	£300.75	—4	£300.75
Nickel			
Free Mkt	198/215c	—6	222/242c
Palladium oz	$96.00	+0.5	$105.75
Platinum oz	$297.50		$330.25
Quicksilver†	$280/290	—5	$280/300
Silver troy oz	444.35p	+3.35	449.05p
3 months	456 55p	+3.30	460.85p
Tin cash	£9166.5	+2.5	£9085.5
3 months	£9118	+2.5	£9050.5
Tungsten	$70.66		$72.02
Wolfram 22.0lb	$65/70		$65/70
Zinc	£512.5	—1	£513
3 months	£517.5	—3	£518.5
Producers	$780/850		$830
OILS			
Coconut (Phil)	$450.0x		$415
Palm Malayan	$385.0y	+35	$415
SEEDS			
Copra Phil	$300x	+12.5	$315
Soyabean (U.S.)	$217.75		$214.25
GRAINS			
Barley Fut. Nov.	£104.85	—0.65	£102.80
Maize	£151.80y		£153.40
Wheat Fut. Nov.	£104.95	—0.95	£102.55
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1797.5	—5	£1753.5
Coffee Ft. Nov.	£1702.5	—10	£1682
Cotton A Index	58.90c	—0.1	56.60c
Gas Oil Nov.	$240.75	—1.25	$256
Rubber (kilo)	61.25p	+0.25	61.25p
Sugar (raw)	$137.5z	+4	$111.5
Wooltops 64s	428p kilo		425pkilo

‡ Unquoted. z Sept-Oct. y Oct. x Oct-Nov. † Per 76lb flask. c Cents a pound.

COCOA

Futures traded over a £14 range in light volume and closed marginally lower on the nearbys but weaker on the forwards. Physical interest was muted, with producers remaining withdrawn and consumers price checking. Second-hand business was confined to afloat and spot positions, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1756-1765	—2.5	1768-1760
Dec.	1797-1798	—5.0	1808-1781
March	1824-1826	—1.5	1838-1815
May	1836-1838	—5.0	1845-1831
July	1838-1840	—10.0	1846-1835
Sept.	1845-1849	—9.0	1855-1847
Dec.	1840-1845	—13.5	1852-1841

Sales: 2,937 (2,930) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for September 19: 105.80 (105.16); five-day average for September 20: 104.84 (104.29).

COFFEE

During a quiet opening values were slightly steadier in light volume, reports Drexel Burnham Lambert. In a fairly active afternoon good commission house buying fuelled a gradual rise before trade and dealer selling pushed values lower towards the close.

COFFEE	Yesterday's Close	+ or —	Business Done
Sept.	1672-1674	—11.0	1687-1673
Nov.	1701 1704	—10.0	1721-1702
Jan.	1735 1738	—1.5	1756-1738
March	1765-1768	—1.0	1775-1765
May	1794-1798	—1.0	1805-1784
July	1810-1830	—6.5	1815
Sept.	1810 1860	—10.0	1850

Sales: 1,831 (3,829) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for September 18: Comp daily 1979 119.40 (119.50); 15-day average 118.56 (118.74).

GRAINS

Wheat rallied sharply after a weak start on strong shipper buying but buying evaporated in the afternoon and values eased back with the main pressure being on nearbys. Barley trade was quiet, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	104.95	—0.85	102.80	—0.50
Nov.	104.95	—0.85	104.80	—0.05
Jan.	108.20	+0.25	108 30	+0.15
Mar.	111.25	+0.25	111.50	+0.15
May	114.30	+0.20	114.15	+0.05
July	116.75	+0.55	—	—

Busines done: Wheat: Sept 105.25-4.65, Nov 105.35-4.85, Jan 108.40-7.90, March 111.50-10.75, May 114.60-4.10, July 116.75. Sales: 269 lots of 100 tonnes. Barley: Sept 103.00-2.75, Nov 104.95-4.80, Jan 108.40-8.15, March 111.30-1.15, May 114.25-4.10. Sales: 219 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1, 15 per cent, Oct 130.30, Nov 131.75, Dec 133.15, transshipment East Coast. U.S. No 2 Soft Red Winter, Oct 112.25, Nov 113.25, Dec 114.75, sellers. EC French faq. Sept 118.50, 11½ per cent protein, Sept/Oct 114 quoted. English feed fob Sept, 105.00-105.50, Oct 106.50-107.00, Nov 107.50-108.00, Oct/Dec 107.75-108.00, Nov/Dec 108.00-109.00, Jan/Mar 112.50-113.00, buyers/sellers, Apr/June 118.25, seller. Maize: U.S. No 3 Yellow/French transshipment East Coast, Oct 1-10, 131, Nov/Dec 133. Barley: English feed fob, Sept 103.00-104.00. English, Sept 102 bid Scotland, Oct 105.50-106.00 Peterhead, Nov 106.50, seller, Nov/Dec 108.50-109.00, Jan/March 113.00-113.50, buyers/sellers, Apr/June 118.50, seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 97.80, S. West 97.00, W. Mids 93.70, N. East 98.30. The UK monetary coefficient for the week beginning Monday September 23 will remain unchanged.

MEAT

PIGMEAT—In very light trade futures declined slightly on the distant positions, the dull conditions reflecting the physical market, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Oct.	116.00	116.50	—
Nov.	116.70	116.80	—
Feb.	103.70	103.60	103.8-103.0
April	104.10	103.80	103.9
June	102.30	102.50	102.2
Aug	100.50	101.30	—

Sales: 23 (166) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.19p per kg lw (—0.35). GB—Sheep 145.81p per kg est dcw (—1.76). GB—Pigs 82.00p per kg lw (—3.37). GB AAPP 101.27p per kg dw (+1.06).

POTATOES

The market fluctuated nervously in thin volume, lacking strong direction in the absence of fresh news. Concern over continued wet weather in the North, the forecast of unsettled weather for the South by the weekend and varied yield and quality reports led to improved buying interest, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov.	53.20	52.30	55.50-52.50
Feb.	65.50	65.60	—
Apr.	81.60	80.60	81.80-80.50
May	87.30	86.60	87.70-87.25

Sales: 195 (288) lots of 40 tonnes.

SOYABEAN MEAL

The market opened unchanged in quiet conditons, reports T. G. Roddick. Prices remained in narrow ranges throughout the day.

	Yesterday close £ per tonne	+ or —	Business Done
October	121.0-127.0	+1.00	—
Dec.	126.0-121.8	+1.30	126.5-126.0
Feb.	129.8-129.8	+1.20	—
Apr.	128.5-130.4	—1.85	130.0
June	129.5-130.5	+0.50	130.0
August	158.8-135.0	—0.50	—
October	130.8-134.0	—	—

Sales: 194 (379) lots of 20 tonnes.

SUGAR

London Daily Price — Raw sugar $137.50 (£103.00), up $4.00 (up £3.00) a tonne for September-October delivery. White sugar $176.00, up $3.50.

The market was unable to sustain the overnight gains and the support level of $155, basis March, was tested and penetrated, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	138.2-138.6	139.0-148.8	141.6-137.0
Dec.	141.8-141.4	146.4-146.8	147.4-140.6
Mar.	151.2-151.4	156.4 156.8	158.0-151.8
May	155.2-155.8	160.6-161.6	167.2-155.4
Aug	161.8-161.8	166.0-166.8	165.0
Oct	167.2-167.8	171.2-172.2	169.8-167.4

Sales: 2,748 (3,546) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £207.00 (£204.00) a tonne for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean ports). Prices for September 18: Daily price 5.09 (5.31); 15-day average 5.08 (5.06).

PARIS—(FFr per tonne): Dec 1550/1558, March 1578/1579, May 1620/1622, Aug 1665/1676, Oct 1705/1715, Dec 1745/1770.

OIL

Crude oil trading remained thin with prices stable. Nymex opened 8c down for October, but traded 8c up at 1.00 pm EDT. In the petroleum products market light ends of the barrel were unchanged. Gas oil reversed Wednesday's firmer trend and heavy fuel continued to drift downwards—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	27.25 27.55	—
Arab Heavy	26.25-26.35	—
Dubai	28.10 28.20	+0.10
Brent Blend	27.20-27.25	—
W.T.I. (1pm est)	28.95-29.15	+0.15
Forcados (Nigeria)	27.90-28.10	—
Urals (cif NWE)	26.85-27.05	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	267-269	—
Gas Oil	250-251	—2
Heavy fuel oil	136-138	—1.5
Naphtha	249-251	—

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Oct.	245.50	—1.00	248.50-44.50
Nov.	240.75	—1.25	242.00-39.25
Dec	238.50	—0.50	239.50-36 85
Jan	236.00	—0.50	238.25-34.00
Feb.	232.00	+0.50	—
Mar.	225.00	+0.50	—

Turnover: 1,483 (1,761) lots of 100 tonnes.

FREIGHT FUTURES

In record volume values moved higher throughout the day with final quotations just off the day's highs. The market featured good two-way trading as far forward as July 1986, fuelled by a further rise in the physical market, notably on the Gulf/Japan route, reports Clarkson Wolff. The Baltic Freight Index rose [illegible].

	Close	High/Low	Prev.
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]

Turnover: 340 (94).

U.S. MARKETS

PRECIOUS METALS were firm on short-covering reflecting an oversold condition along with position squaring ahead of the flash GNP estimate for the U.S. today, reports Heinold Commodities. Copper and aluminium remained weak on technical considerations and burden some stocks on the LME. Reports that more favourable weather in Europe has improved yields weakened sugar values. Cocoa firmed on reports of East European inquiry and the emergence of manufacturing pricing. Coffee drifted lower on the lack of fresh direction from the ICO meeting. Prospects that the U.S. Congress will attempt to restrict textile imports encouraged gains in cotton futures. The energy complex was generally mixed with light support on reports of an Iraqi raid on Kharg Island inflicting damage. The grain and soyabean complex came under pressure in the defereds and prospects of a large crop while he nearby was seady to higher on the prospects hat cash movement might be stalled by forecasts of rain.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	42.35	—	—	42.55
Oct	42.60	—	—	42.80
Nov	43.00	—	—	43.00
Dec	43.35	43.55	43.35	43.55
Jan	43.70	—	—	43.90
March	44.45	44.70	44.65	44.65
May	45.15	—	—	45.35
July	45.85	46.00	46.00	46.05
Sept	46.55	—	—	46.75
Jan	47.95	—	—	48.15

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Dec	2223	2222	2162	2173
March	2260	2260	2226	2236
May	2303	2303	2262	2265
July	2310	2310	2280	2281
Sept	2319	2319	2285	2290
Dec	2319	2319	2288	2294

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	137.85	138.60	137.50	138.19
March	139.25	139.85	139.00	139.50
May	140.05	140.30	139.85	140.43
July	140.38	141.00	141.00	141.38
Sept	141.73	—	—	142.25
Dec	140.88	—	—	142.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	58.05	58.85	57.90	58.60
Oct	58.25	—	—	58.75
Nov	58.70	—	—	59.10
Dec	59.10	59.75	59.00	59.45
Jan	59.35	59.85	59.85	59.70
March	59.90	60.45	59.90	60.20
May	60.35	60.75	60.25	60.55
July	60.75	61.20	60.90	60.90
Sept	61.15	61.50	61.25	61.25
Dec	61.80	61.95	61.75	61.85

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.20	60.30	59.85	59.95
Dec	59.50	59.55	58.80	58.72
March	60.60	60.65	59.90	59.80
May	60.90	60.90	60.20	60.10
July	59.60	59.60	59.00	58.95
Oct	54.10	54.15	54.00	53.83
Dec	53.10	53.20	52.90	52.86

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Oct	28.21	28.21	28.02	28.10
Nov	27.59	27.62	27.36	27.48
Dec	27.08	27.13	26.83	26.98
Jan	26.54	26.67	26.36	26.51
Feb	26.25	26.25	25.93	26.12
March	25.86	25.86	25.55	25.74
April	25.52	25.58	25.40	25.41
May	25.19	25.25	24.98	25.07
June	24.89	24.97	24.70	24.77
July	24.58	24.59	24.60	24.57

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	319.9	—	—	314.9
Oct	320.4	321.0	316.7	315.7
Nov	322.4	320.0	320.0	319.0
Dec	324.6	325.3	320.7	319.8
Feb	328.9	329.8	325.2	324.0
April	333.1	332.0	329.8	328.2
June	337.9	335.5	334.3	333.0
August	342.7	—	—	337.8
Oct	347.7	—	—	342.7
Dec	352.6	351.4	348.8	347.6
Feb	357.8	—	—	352.8
April	363.1	—	—	358.1
June	368.7	—	—	363.7

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. New York tin 562.0-65.0 (562.0-66.0) cents per pound. Handy and Harman silver bullion 598.5 (588.0) cents per troy ounce.

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Oct	78.85	78.75	78.20	78.60
Nov	78.80	78.10	78.26	78.83
Dec	79.00	79.20	78.30	78.82
Jan	78.60	78.80	77.90	78.39
Feb	77.00	76.91	76.35	76.65
March	73.00	73.00	72.50	72.80
April	70.00	70.00	69.80	69.90
May	68.80	68.75	68.75	68.40

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	133.95	134.60	133.50	134.00
Jan	129.25	129.90	129.00	129.45
March	128.65	128.90	128.40	128.70
May	125.40	125.60	125.20	125.50
July	124.80	—	—	124.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	301.0	—	—	294.8
Oct	301.5	303.0	296.5	295.1
Jan	303.6	305.5	300.0	298.9
April	308.0	309.0	303.5	307.2
July	313.0	—	—	306.2
Oct	318.5	319.5	316.0	311.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	600.5	603.0	592.5	591.7
Oct	601.3	—	—	592.8
Nov	605.8	—	—	596.8
Dec	610.5	614.5	602.0	601.5
Jan	614.9	609.0	606.0	605.9
March	623.5	627.0	615.0	614.4
May	632.4	630.0	625.5	623.1
July	642.2	636.5	634.5	632.6
Sept	652.4	653.5	653.5	642.5
Dec	668.0	670.0	667.5	657.9

SUGAR WORLD "11" 112,000 lb cents/lb

	Close	High	Low	Prev
Oct	5.17	5.34	5.10	5.29
Jan	5.31	5.55	5.30	5.53
March	5.72	5.96	5.70	5.95
May	5.88	6.12	5.87	6.12
July	6.10	6.31	6.09	6.30
Oct	6.53	6.71	6.50	6.73
Jan	6.75	6.90	6.70	6.90

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	57.07	57.25	56.62	56.92
Dec	60.07	60.25	59.50	59.90
Feb	58.92	59.00	58.20	58.45
April	59.75	60.10	59.25	59.40
June	60.90	60.90	60.35	60.40
August	59.35	59.60	59.10	58.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	40.00	40.10	38.05	39.15
Dec	41.97	42.17	41.35	41.45
Feb	42.65	42.72	41.90	41.95
April	39.80	39.85	39.12	39.12
June	42.67	43.00	42.35	42 32
July	43.20	43.55	42.75	43 37
August	42.50	42.50	42.50	42.35
Oct	39.55	39.55	39.50	39.40
Dec	39.70	40.00	39.70	39.70

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	218.2	220.0	218.0	219.4
March	228.2	229.2	228.0	229.4
May	234.0	234.4	233.4	235.2
July	236.4	237.0	235.4	237.0
Sept	230.4	233.2	225.0	229.4
Dec	227.4	227.4	225.2	228.6

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	62.35	63.10	62.10	62 85
March	62.65	63.20	62.35	62.97
May	63.90	64.10	63 45	63.95
July	63.90	64.45	63.70	64 25
August	61.85	62.45	61.70	62.32

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Nov	511.6	517.4	511.4	515.4
Jan	522.6	528.4	522.2	525.4
March	534.2	539.6	534.0	539.2
May	544.4	549.4	544.2	548 2
July	550.0	554.4	549.6	553.4
August	548.4	554.0	548 4	552.0
Sept	518.2	519.6	514.0	516.4
Nov	538.0	541.4	538.0	542.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	130.7	131.6	128.9	131.0
Dec	134.9	135.7	134.3	135.3
Jan	136.3	137.5	136.0	136.8
March	139.2	139.9	138.5	139 4
May	142.0	142.0	141.0	142.0
July	144.0	144.0	143.0	144.0
August	144.3	—	—	144.5
Sept	130.2	130.5	129.4	130.1

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	21.16	21.42	21.15	21.28
Dec	21.18	21.44	21.06	21.24
Jan	21.30	21.56	21.26	21.40
March	21.60	21.91	21.58	21.76
May	21.90	22.16	21.90	22.06
July	22.20	22.42	22.15	22.30
August	22.25	22.35	22.25	22.35
Sept	21.78	22.00	21.75	21.84
Oct	22.25	22.35	22.25	22.32

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	289.2	293.2	289.0	294.0
March	295.6	298.6	295.4	299.6
May	292.6	297.0	292.6	297.6
July	274.6	278.6	274.6	278.6
Sept	281.4	284.0	280.2	283.4

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls ahead of GNP

The dollar was confined to a narrow trading range yesterday in the absence of any incentive to take out fresh positions ahead of today's GNP figures. The U.S. third quarter GNP flash estimate is expected to show a rise of between 3 per cent and 3.5 per cent and has become such a focal point that other factors assumed a secondary level of importance.

Economic statistics released included personal income, which was much in line with expectations and consumer spending which was a little below market forecasts. The latter may have accounted to some extent for the dollar's weaker trend in the afternoon. Early trading saw the U.S. unit retreat from opening levels as selling developed in London. The trend was reversed as U.S. centres came in as buyers before slipping away once more.

The dollar closed at DM 2.9010 down from a high of DM 2.9240 and Wednesday's close of DM 2.9030. It was also weaker against the Swiss franc at SwFr 2.3830 from SwFr 2.3880 and Y242.00 compared with Y242.10. It was lower against the French franc at FFr 8.8450 from FFr 8.86. On Bank of England figures, the dollar's exchange rate index was 141.1 from 140.6.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. August average 1.3838. Exchange rate index 81.1 unchanged from Wednesday but up from a morning low of 80.7. The six months ago figure was 74.0.

Sterling remained on the sidelines but recovered from the day's lows as the dollar retreated. It also showed further gains against European currencies, closing at DM 3.8875 from DM 3.8775 and SwFr 3.1950 compared with SwFr 3.19. It was also higher against the French franc at FFr 11.8575 from FFr 11.8375 and Y324.50 from Y323.50. Against the dollar it rose to $1.3400-1.3410, up 45 points from Wednesday.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7425. August average 2.7936. Exchange rate index 124.8 against 119.4 six months ago.

The dollar finished slightly firmer against the D-mark at DM 2.9125 from DM 2.8967½ but remained confined to a narrow range ahead of today's U.S. third quarter GNP flash estimate. U.S. economic data on personal income and consumption were a little below expectations but the dollar was underpinned as it approached DM 2.9050. Earlier in the day the dollar had been fixed at DM 2.9122 from DM 2.9095.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.8320	45.0043	+0.38	+0.69	±1.5425
Danish Krone ...	8.12857	8.06858	−0.74	−0.43	±1.6421
German D-mark	2.23840	2.22861	−0.44	−0.13	±1.1455
French Franc ...	6.86402	6.79329	−1.03	−0.72	±1.3654
Dutch Guilder...	2.52208	2.50470	−0.69	−0.38	±1.5162
Irish Punt	0.724578	0.716435	−1.12	−0.81	±1.6673
Italian Lira	1520.60	1496.51	−1.58	−1.58	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Sept 19	Previous
8.30 am	80.8	80.8
9.30 am	80.7	80.6
10.00 am	80.9	80.8
11.00 am	80.9	80.8
Noon	81.0	80.8
1.00 pm	81.0	80.8
2.00 pm	81.0	80.9
3.00 pm	81.2	80.9
4.00 pm	81.1	81.1

£ IN NEW YORK

	Sept. 19	Prev. close
£ Spot	$1.3390-1.3400	$1.3345-1.3380
1 month	0.38-0.36pm	0.39-0.36 pm
3 months	1.02-0.98pm	1.04-1.00 pm
12 months	2.55-2.45pm	2.70-2.60 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3265-1.3440	1.3400-1.3410	0.39-0.36c pm	3.36	1.03-0.98pm	3.00
Canada	1.8330-1.8490	1.8437-1.8471	0.44-0.35c pm	2.57	1.04-0.89pm	2.09
Nethlnd.	4.35¼-4.37¾	4.36¾-4.37¾	2¼-2c pm	5.86	6¼-5⅞pm	5.49
Belgium	78.19-78.65	78.50-78.60	22-15c pm	2.83	51-38pm	2.27
Denmark	14.02¾-14.11	14.10-14.11	3¾-2¾ore pm	2.78	10¼-9¼pm	2.75
Ireland	1.2463-1.2516	1.2484-1.2494	0.24-0.09p pm	1.59	0.63-0.28pm	1.46
W. Ger.	3.87-3.89¾	3.88¾-3.89¾	2⅝-2¼pf pm	7.14	6⅝-6⅜pm	6.75
Portugal	230½-235	232-235	65-410c dis	−12.21	420-1425dis	−15.80
Spain	230¼-231½	231-231½	5-40c dis	−1.17	65-165dis	−1.99
Italy	2,597-2,617¾	2,613½-2,614½	1 lire pm-4 dis	−1.15	4-11dis	−1.15
Norway	11.29-11.38¾	11.37¾-11.38¾	½-1½ore dis	−0.86	2⅞-3⅜dis	−1.14
France	11.80¾-11.88¾	11.85¾-11.86¾	2⅛-1⅜c pm	1.96	5½-4¼pm	1.62
Sweden	11.35¾-11.43	11.42-11.43	3¾-4¾ore dis	−4.20	10½-11½dis	−3.76
Japan	321½-325	324-325	1.37-1.28y pm	4.90	4.07-3.91pm	4.82
Austria	27.20-27.31	27.27-27.31	15¾-13¾gro pm	6.38	43½-39½pm	6.06
Switz.	3.18-3.20	3.19-3.20	1⅞-1⅝c pm	6.81	5½-5¼pm	6.73

*Belgian rate is for convertible francs. Financial franc 79.30-79.40. Six-month forward dollar 1.74-1.69c pm, 12-month 2.65-2.50c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3255-1.3440	1.3400-1.3410	0.39-0.36c pm	3.36	1.03-0.98pm	3.00
Ireland†	1.0647-1.0737	1.0710-1.0720	0.20-0.10c pm	1.68	0.55-0.30pm	1.59
Canada	1.3783-1.3814	1.3793-1.3798	0.07-0.10c dis	−0.74	0.31-0.36dis	−0.97
Nethlnd.	3.2600-3.2685	3.2610-3.2620	0.66-0.63c pm	2.36	2.04-2.01pm	2.47
Belgium	58.55-59.00	58.55-58.65	2-3c dis	−0.51	11-13dis	−0.82
Denmark	10.50¾-10.57¾	10.52-10.52½	¼-¾ore dis	−0.57	½-1dis	−0.28
W. Ger.	2.8950-2.9240	2.9005-2.9015	0.92-0.87pf pm	3.69	2.79-2.74pm	3.80
Portugal	174-175¾	174-176	100-350c dis	−15.45	450-1200dis	−18.88
Spain	172-173½	172-172½	50-70c dis	−4.16	175-250dis	−4.91
Italy	1,949-1,960½	1,949½-1,950½	7-8 lire dis	−4.61	21-22½dis	−4.45
Norway	8.47½-8.51¾	8.48½-8.49	2⅝-3ore dis	−4.05	8¾-9dis	−4.17
France	8.84¾-8.91	8.84¾-8.84¾	0.90-1.05c dis	−1.32	2.70-3.00dis	−1.28
Sweden	8.52-8.56	8.52-8.52½	5¾-5¾ore dis	−7.46	14½-14¾dis	−6.79
Japan	241.50-242.60	241.95-242.05	0.35-0.31y pm	1.63	1.18-1.13pm	1.91
Austria	20.27-20.52½	20.27-20.32	5¾-5gro pm	3.15	17-14½pm	3.09
Switz.	2.3780-2.4015	2.3825-2.3835	0.75-0.70c pm	3.63	2.23-2.18pm	3.68

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. : Belgian rate is for convertible francs. Financial franc 59.15-59.20.

OTHER CURRENCIES

Sept 19	£	$		£ Note Rates
Argentina Austl.	1.0688-1.0710	0.8000-0.8010	Austria	27.20-27.50
Australia Dollar	1.9635-1.9675	1.4685-1.4700	Belgium	78.75-79.55
Brazil Cruzeiro	9,993-10,034	7,480-7,506	Denmark	14.03-14.17
Finland Markka	8.1865-8.2060	6.1425-6.1446	France	11.80-11.93
Greek Drachma	183.73-187.72	138.35-141.25	Germany	3.87-3.91
Hongkong Dollar	10.4285-10.4325	7.8170-7.8190	Italy	2585-2630
Iran Rial	120.75*	90.70*	Japan	322-326
KuwaitDinar(KD)	0.4085-0.4095	0.30610-0.30620	Netherlands	4.35-4.39
LuxembourgFr.	78.50-78.60	58.55-58.65	Norway	11.29-11.40
Malaysia Ringgit	3.3280-3.3340	2.4960-2.4980	Portugal	227-241
NewZealand Dlr.	2.5380-2.5455	1.8950-1.8985	Spain	225-235
Saudi Arab Riyal	4.8795-4.8845	3.6535-3.6545	Sweden	11.35-11.46
Singapore Dollar	2.9420-2.9480	2.2065-2.2085	Switzerland	3.18½-3.21½
Sth African Rand	3.3625-3.5710	2.6560-2.6700	United States	1.32½-1.34½
U.A.E. Dirham	4.9035-4.9090	3.6720-3.6730	Yugoslavia	425-455

* Selling rate.
Rand Financial rate: 2.7210-2.7970 ($) and 3.6395-3.7410 (£)

CURRENCY MOVEMENTS

Sept. 18	Bank of England Index	Morgan Guaranty Change %
Sterling	81.6	−8.8
U.S. dollar	141.1	+27.2
Canadian dollar	85.9	−8.3
Austrian schilling	115.2	+4.5
Belgian franc	90.5	−10.6
Danish Kroner	78.9	−5.4
Deutsche mark	124.8	+8.0
Swiss franc	146.9	+11.7
Guilder	115.4	+4.4
French franc	65.8	−14.0
Lira	43.6	−20.7
Yen	157.2	+13.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.761161	0.573309
U.S.$	7½	1.01653	0.764794
Canadian $	9.27	*	1.05653
Austria Sch.	4	20.8178	15.6477
Belgian Fr.	9½	59.8879	45.0043
Danish Kr.	7	10.7295	8.06858
D mark	4	2.96034	2.22861
Guilder	5	3.32964	2.50470
French Fr.	9½	9.03085	6.79329
Lira	15½	1987.01	1496.51
Yen	5	246.509	185.424
Norway Kr.	8	8.64356	6.50037
Span'h Pta.	—	176.001	132.348
Swedish K.	10½	8.68055	6.53134
Swiss Fr.	4	2.43285	1.83076
Greek Dr'ch	20½	141.908	106.597
Irish Punt	13½	0.952253	0.716435

*C$/SDR rate for September 17: 1.40408

EXCHANGE CROSS RATES

Sept. 19	Pound St'ling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	[illegible]	1.341	3.888	325.5	11.86	3.195	4.373	2614.	1.845	78.55
U.S. Dollar	0.746	1.	2.901	242.0	8.846	2.383	3.262	1950.	1.377	58.60
Deutschemark	0.257	0.345	1.	83.47	3.050	0.822	1.125	672.4	0.475	20.21
Japanese Yen 1,000	3.082	4.131	11.98	1000.	36.54	9.846	13.47	8055.	5.687	242.1
French Franc 10	0.843	1.131	3.279	273.7	10.	2.694	3.688	2205	1.556	66.24
Swiss Franc	0.313	0.420	1.217	101.6	3.711	1.	1.369	818.2	0.578	24.59
Dutch Guilder	0.229	0.307	0.889	74.21	2.712	0.731	1.	597.8	0.422	17.96
Italian Lira 1,000	0.383	0.513	1.487	124.1	4.536	1.222	1.673	1000.	0.706	30.05
Canadian Dollar	0.542	0.726	2.107	175.8	6.425	1.731	2.369	1416.	1.	42.57
Belgian Franc 100	1.273	1.707	4.949	413.1	15.10	4.067	5.567	3328.	2.349	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	11⅜-11⅝	7¾-7⅞	7⅞-8⅛	5⅜-5¾	1⅛-1⅜	4¼-4⅜	9¼-9⅝	12-14	9-9¼	9-9¼	6 5/16-6⅜	9½-10
7 days' notice	11⅜-11⅝	7⅞-8	8¼-8⅛	5⅜-5¾	1⅛-1⅜	4¼-4⅜	9¼-9⅝	12¼-13¾	8¾-9	8¾-9	6⅞-7	9½-10
Month	11 7/16-11 9/16	8 1/16-8 3/16	8⅛-8⅜	5 11/16-5 13/16	4⅛-4⅜	4⅜-4½	9⅜-9½	12-13	8¾-9	8¾-9	6⅛-6⅜	8¾-9¼
Three months	11½-11⅝	8 3/16-8 5/16	9-9¼	5 11/16-5 13/16	4 7/16-4 9/16	4⅜-4½	9 5/16-9 11/16	12⅛-13	9-9¼	9⅛-9⅜	6⅜-6½	8¾-9¼
Six months	11 9/16-11 11/16	8½-8⅝	9⅜-9⅝	5¾-5⅞	4¾-4⅞	4 7/16-4 9/16	10 1/16-10 7/16	12⅞-13⅜	9⅜-9⅝	9½-9¾	6⅜-6 9/16	8⅞-9⅜
One year	11 9/16-11 11/16	8⅞-9	9⅞-10⅛	5 11/16-5 13/16	4¾-4⅞	4 9/16-4 11/16	10⅞-11⅛	13½-14	9½-9¾	9⅝-9⅞	6⅜-6 9/16	9¼-9¾

Asian $ (closing rates in Singapore): Short-term 7 13/16-7 15/16 per cent; seven days 7⅞-8 per cent; one month 8 1/16-8 3/16 per cent; three months 8 3/16-8 5/16 per cent; six months 8 7/16-8 9/16 per cent; one year 8 13/16-8 15/16 per cent. Long-term Eurodollars; two years 9 5/16-9 7/16 per cent; three years 10⅛-10¼ per cent; four years 10⅜-10½ per cent; five years 10⅝-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

French interest rates cut

In Paris a cut in the Bank of France money market intervention rate, and a reduction in the rate of call money fixed by the major French banks, led to speculation that a cut in bank base rates may be imminent. The intervention rate was reduced by ¼ per cent to 9⅝ per cent, the sixth cut since the beginning of the year, when the rate was 10½ per cent, and the eleventh since May 9 1984, when it was 12 per cent. The last cut was also by ¼ per cent on July 18. Call money fell by ⅛ per cent to 9⅛ per cent yesterday, the lowest level since July 20 1979. These moves are seen as encouragement by the French Government to reduce interest rates, in line with the decline in the rate of inflation, which fell to 5.6 per cent in August from 6.1 per cent in July and 6.7 per cent at the end of last year. The recent stability of the franc, after a period of nervousness following the devaluation of the lira in July, is probably a contributing factor to the lowering of rates. Call money has so far fallen from 11¼ per cent at the beginning of the year, when base rates were at 12 per cent. The banks last cut base rates in July, to 10.85 per cent from 11.25 per cent.

UK clearing banks base lending rate 11½ per cent since July 30.

In London interest rates were steady, with three-month interbank finishing unchanged at 11 7/16-11 9/16 per cent, while discount houses buying rates for three-month bank bills were steady at 11 11/32-11 9/32 per cent.

The Bank of England forecast a money market shortage of £600m, but revised this to £700m at noon, and to £750m in the afternoon. Total help provided was £655m.

Before lunch the authorities bought £187m bank bills outright, by way of £5m bills in band 1 (up to 14 days maturity) at 11⅜ per cent; £138m bills in band 2 (15-33 days) at 11 5/16 per cent; £14m bills in band 3 (34-63 days) at 11¼ per cent; and £30m bills in band 4 (64-91 days) at 11 3/16 per cent. In the afternoon another £398m bank bills were purchased outright, through £82m in band 1; £223m in band 2; and £93m in band 3 at unchanged rates. Late assistance of £70m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up Treasury bills drained £691m, with a rise in the note circulation absorbing £20m, and bank balances below target another £55m. These outweighed Exchequer transactions adding £155m to liquidity.

MONEY RATES

Sept. 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.30-4.40	9⅛	⅞-1⅛	5⅝-5 11/16	6.21875	14⅛-14⅜	10.50	—
One Month	4.55-4.65	9⅜-9½	4 7/16-4 9/16	5¾-5 13/16	6.53125	13¾-14⅛	8⅞-9⅛	9-9½
Two Months	4.6-4.7	9 7/16-9 9/16	—	—	—	—	—	9⅛-9⅜
Three Months	4.6-4.7	9 7/16-9 9/16	4⅛-4⅜	5¾-5⅞	6.34375	13⅞-14¼	9-9¼	9¾-10
Six Months	4.60-4.75	9⅝-9¾	—	5¾-5⅞	—	—	9⅜-9⅝	10-10¼
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅝	—	—	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Sept. 19 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11⅜-12¼	11¼-11⅜	11½-11¾	11¼-12	—	—	—	—	—
2 days notice	—	—	11¼-11⅜	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¼-11⅝	11¼-11⅜	11⅝	11¼-11 7/16	—	—	—	—	—
One month	11 7/16-11⅜	11 7/16-11 9/16	11½	11⅝	11⅝	11 11/32	11 5/16	11 11/32	11 5/16	11 23/32
Two months	11 7/16-11⅜	11 7/16-11 9/16	11½	11⅝	11 7/16	11¼	11 7/32	11¼	11 7/32	11⅞
Three months	11½-11⅜	11 7/16-11 9/16	11½	11⅝	11⅜	11 7/32	11 5/32	11 11/32-11 9/32	11⅛-11 3/32	11 13/16
Six months	11 9/16-11 7/16	11 9/16-11½	11⅝	—	—	—	—	10 29/32-10 27/32	10⅝	11 13/32
Nine months	11⅛-11	11⅝-11⅝	11¼	—	—	—	—	—	—	—
One year	11 1/16-10 15/16	11⅛-11⅝	11	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12-11¾	—	11½	8.0-8.1	7⅝-7⅞	8-8⅛
Two months	11⅞-11⅝	—	11½	8.05-8.15	7⅝-7⅞	8 1/16-8 3/16
Three months	11¾-11⅝	—	11½	8.1-8.2	7¾-8	8 3/16-8 5/16
Six months	11½-11¼	—	11⅝	8.3-8.4	7 15/16-8 1/16	8⅜-8½
Nine months	11⅜-11⅛	—	11¼	8.6-8.7	—	—
One year	11¼-11	—	11¼	8.75-8.85	8 3/16-8 5/16	8 9/16-8 11/16
Two years	—	11	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—		—	—	—	—

ECGD Fixed Finance IV: Average rate of interest period August 7 to September 3 (inclusive): 11.574 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 per cent from September 1, 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.0911 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¼ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from September 12. Deposits held under Series 5 11¼ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 19)

3 months U.S. dollars

bid 8 5/16 — offer 8 5/16

6 months U.S. dollars

bid 8 1/2 — offer 8 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾-9
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One month	6.89
Two month	7.06
Three month	7.31
Six month	7.73
One year	8.13

Treasury Bonds

Two year	9.10
Three year	9.42
Four year	9.70
Five year	9.90
Seven year	10.27
10 year	10.40
30 year	10.65

FINANCIAL FUTURES

Late recovery

Dollar denominated contracts finished around the day's highs on the London International Financial Futures Exchange yesterday, but were weaker, or little changed on the day. Expectations of a large rise in weekly U.S. M1 money supply, of up to $4bn, depressed Eurodollar and Treasury bond futures initially. Both contracts met with buying demand in the afternoon however, on profit taking. The market was nervous ahead of today's announcement of third quarter Gross National Product and the revised second quarter GNP figure, with traders reluctant to take out new positions. Yesterday's U.S. statistics were in line with expectations, with personal consumption rising by 1.2 per cent, boosted by high car sales due to dealer incentives, while personal income rose by 0.3 per cent. Third quarter GNP is generally forecast to increase by 3-4 per cent, but dealers are reluctant to place too much reliability on flash estimates, and will also watch carefully the revision to second quarter growth.

Gilts and short sterling contracts were dull, with December long gilt futures very steady throughout. Three-month sterling deposits for December closed at the day's high

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.36	91.38	91.30	91.38
March	90.98	90.97	90.92	91.03
June	90.62	90.64	90.58	90.68
Sept	90.28	90.29	90.25	90.35
Dec	89.97	89.93	89.93	90.04
March	89.67	—	—	89.74
June	89.39	—	—	89.46

Est volume 4,687 (3,638)
Previous day's open int 17,675 (17,807)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	89.00	89.00	88.94	89.04
March	89.34	89.35	89.29	89.35
June	89.38	89.40	89.33	89.39
Sept	89.43	89.45	89.38	89.44
Dec	89.44	89.44	89.44	89.50

Est volume 2,119 (2,237)
Previous day's open int 6,971 (6,141)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	111-16	111-17	111-11	111-18
Dec	111-18	111-19	111-13	111-20
March	111-28	—	—	111-30

Est volume 1,717 (1,336)
Previous day's open int 3,628 (3,620)
Basis quote (clean cash price of 13¼% Treasury 2004/08 less equivalent price of near futures contract) −6 to +4 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-35	97-40	97-35	97-41
March	97-51	—	—	97-56

Est volume 891 (847)
Previous day's open int 1,095 (1,006)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	132.70	133.02	131.82	133.10
March	132.00	—	—	132.35
June	131.50	—	—	131.85

Est volume 177 (212)
Previous day's open int 2,745 (2,709)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3472	0.3468	0.3461	0.3482
March	0.3506	0.3495	0.3495	0.3515

Est volume 40 (76)
Previous day's open int 398 (403)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4225	0.4207	0.4207	0.4237
March	0.4265	0.4246	0.4246	0.4276

Est volume 35 (47)
Previous day's open int 249 (241)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4152	0.4142	0.4142	0.4158
March	0.4176	0.4165	0.4165	0.4180

Est volume 40 (34)
Previous day's open int 240 (240)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	130.85	130.90	129.90	129.70
Dec	131.55	131.25	131.00	130.40

Est volume 389 (399)
Previous day's open int 1,888 (1,746)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	76-08	76-08	76-01	76-04
Dec	74-28	74-27	74-15	74-25
March	73-25	—	—	73-23

Est volume 2,388 (2,352)
Previous day's open int 2,534 (2,506)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	74-25	74-28	74-13	74-23
March	73-23	73-24	73-14	73-21
June	72-23	72-23	72-14	72-21
Sept	76-07	76-09	76-01	76-05
Dec	70-30	70-30	70-23	70-29
March	—	—	—	70-04
June	—	—	—	69-14
Sept	71-25	71-25	71-17	71-24
Dec	—	—	—	68-07
March	—	—	—	67-22

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.00	93.00	92.97	93.00
Dec	92.61	92.63	92.58	92.63
March	92.23	92.25	92.21	92.28
June	91.88	91.89	91.87	91.95
Sept	91.58	91.60	91.57	91.65
Dec	91.28	91.32	91.28	91.40
March	91.04	—	91.04	91.14
June	90.81	—	90.81	90.90

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.00	92.01	91.97	92.03
Dec	91.66	91.66	91.64	91.69
March	—	—	—	91.31
June	—	—	—	90.96

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.34	91.34	91.30	91.37
March	90.95	90.96	90.91	90.99
June	90.59	90.60	90.56	90.64
Sept	—	—	—	91.73
Dec	89.94	89.94	89.92	90.00
March	89.63	89.63	89.63	89.70
June	89.35	89.35	89.34	89.41

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Dec	1.3280	1.3505	1.3130	1.3230
March	1.3180	1.3215	1.3180	1.3155
June	1.3120	1.3160	1.3120	1.3105
Sept	—	—	—	1.3335

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	75-07	75-08	75-00	75-05
March	74-14	74-13	74-12	74-12
June	—	—	—	73-20
Sept	76-09	76-09	76-06	76-10
Sept	72-24	72-24	72-24	72-30

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £ — Renewed hopes of a buoyant U.S. economy has kept dollar firm but market cautious—volume slow.

Est volume: Calls 51, Puts 284. Previous day's open interest: Calls 5570, Puts 6028.

Eurodollar Futures—points of 100% — Deposit rates firmed and a slight rise in fed funds was seen today. Option volume active.

Est volume: Calls 201, Puts 251. Previous day's open interest: Calls 848, Puts 880.

For full details of settlement prices call: Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 18, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of September 18 at 11.00 a.m.
3 months: 8½ 6 months: 8½

ECU=$US.766167 SDR1=$US1.01683
Sibor as of September 18 at 11.00 a.m.
3 months: 8½ 6 months: 8½

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.5741
Algeria	Dinar	4.9996
Andorra	Fr. Franc	8.8625
	Sp. Peseta	172.64
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.801
Australia	Dollar	1.4671
Austria	Schilling	20.425
Azores	Port. Escudo	174.50
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	172.64
Bangladesh	Taka	29.25
Barbados	Dollar	2.0113
Belgium	Franc (c)	58.71
	Franc (f)	59.07
Belize	Dollar	2.00
Benin	C.F.A. Franc	443.125
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	12.30
Bolivia	Peso (o)	75000.
	Peso (f)	1100000.
Botswana	Pula (6)	2.0305
Brazil	Cruzeiro (o)	7540.00
Brunei	Dollar	2.278
Bulgaria	Lev	1.016
Burkina Faso	C.F.A. Franc	443.125
Burma	Kyat	8.3677
Burundi	Franc	120.669
Cameroun Rp.	C.F.A. Franc	443.125
Canada	Dollar	1.3788
Canary Is.	Sp. Peseta	172.64
Cape Verde Is.	Escudo	89.2696
Cayman Is.	Dollar	0.835
Cen. Africa Rep.	C.F.A. Franc	443.125
Chad	C.F.A. Franc	443.125
Chile	Peso (o) (9)	178.20
China	Renminbi Yuan	2.9741
Colombia	Peso (o)	158.50
Comoros	C.F.A. Franc	443.125
Congo Ppls Rep. of	C.F.A. Franc	443.125
Costa Rica	Colon	51.70
Cuba	Peso	0.9311
Cyprus	Pound*	1.6625
Czechoslovakia	Koruna (o)	6.70
Denmark	Krone	10.5165
Djibouti Rp. of	Franc	171.422
Dominica	E. Caribbean $	2.70
Domin. Rep.	Peso	1.00
	Peso (d)	2.99
Equador	Sucre (d)	109.25
	Sucre (f)	95.75
Egypt	Pound	0.83
	Pound (o)	1.33
El Salvador	Colon	2.50
	Colon (d)	5.60
Eq'tl Guinea	C.F.A. Franc (4)	443.125
Ethiopia	Birr (o)	2.0772
Faeroe Is.	Dan. Krone	10.5165
Falkland Is.	Pound*	1.3535
Fiji	Dollar	1.1469
Finland	Markka	6.1385
France	Franc	8.8625
Fr. C'ty in Af.	C.F.A. Franc	443.125
Fr. Guiana	Franc	8.8625
Fr. Pac. Is.	C.F.P. Franc	161.136
Gabon	C.F.A. Franc	443.125
Gambia	Dalasi	3.7495
Germany (E)	Ostmark (o)	2.908
Germany (W)	Mark	2.908
Ghana	Cedi (14)	57.00
Gibraltar	Pound*	1.3535
Greece	Drachma	139.20
Greenland	Dan. Krone	10.5165

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.8625
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	3.81
Guinea Bissau	Peso	147.323
Guinea Rep	Syli	24.2768
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.56
Hong Kong	Dollar	7.817
Hungary	Forint	49.822
Iceland	Krona	43.31
India	Rupee (10)	12.30
Indonesia	Rupiah	1124.00
Iran	Rial (o)	90.7725
Iraq	Dinar	0.3109
Irish Rep	Punt*	1.0704
Israel	Shekel (10)	1488.00
Italy	Lira (11)	1947.37
Ivory Coast	C.F.A. Franc	443.125
Jamaica	Dollar (o) (5)	5.75
Japan	Yen	242.05
Jordan	Dinar	0.3813
Kampuchea	Riel	n.a.
Kenya	Shilling	15.8817
Kiribati	Aust. Dollar	1.4671
Korea (Nth)	Won	0.94
Korea (Sth)	Won	891.90
Kuwait	Dinar	0.3057
Lao P'ple D. Rep	Kip	35.00
Lebanon	Pound	19.10
Lesotho	Maloti	2.4753
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenstein	Sw. Franc	2.3902
Luxembourg	Lux. Franc	58.71
Macao	Pataca	8.1858
Madagascar D.R.	Franc	609.031
Madeira	Port. Escudo	174.50
Malawi	Kwacha	1.8232
Malaysia	Ringgit	2.4985
Maldive Is.	Rufiya	7.00
Mali Rp.	C.F.A. Franc	443.125
Malta	Lira*	2.1793
Martinique	Franc	8.8625
Mauritania	Ouguiya	76.91
Mauritius	Rupee	15.39
Mexico	Peso (d) (12)	382.50
	Peso (e) (13)	298.90
Miquelon	Fr. Franc	8.8625
Monaco	Fr. Franc	8.8625
Mongolia	Tugrik (o)	3.3555
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	10.40
Mozambique	Metica	43.056
Namibia	S. A. Rand	2.4753
Nauru Is	Aust. Dollar	1.4671
Nepal	Rupee	18.50
Netherlands	Guilder	3.258
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	1.8957
Nicaragua	Cordoba	10.00
	Cordoba (d)	528.00
Niger Rp	C.F.A. Franc	443.125
Nigeria	Naira	0.9133
Norway	Krone	8.4875
Oman Sultanate of	Rial	0.3456
Pakistan	Rupee	16.2078
Panama	Balboa	1.00
Papua N.G.	Kina	1.0085

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	827.50
Peru	Sol (o) (2)	13943
Philippines	Peso	18.62
Pitcairn Is.	N.Z. Dollar	1.8957
Poland	Zloty (o) (3)	153.05
Portugal	Escudo	174.50
PuertoRico	U.S. dollar	1.00
Qatar	Riyal	3.641
Reunion, Il de la	Fr. Franc	8.8625
Romania	Leu (o)	4.21
	Leu (c)	12.42
Rwanda	Franc	101.01
St. Christopher	E. Caribbbean $	2.70
St. Helena	Pound*	1.3535
St. Lucia	E. Caribbean $	2.70
St. Pierre	Fr. Franc	8.8625
St. Vincent	E. Caribean $	2.70
Samoa (Western)	Tala	2.2232
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1947.37
Sao Tome & Principe DR	Dobra	44.5012
Saudi Arabia	Riyal (7)	3.65
Senegal	C.F.A. Franc	443.125
Seychelles	Rupee	7.1148
Sierra Leone	Leone	6.00
Singapore	Dollar	2.278
Solomon Is.	Dollar	1.554
Somali Rep.	Shilling	36.60
South Africa	Rand	2.4753
Spain	Peseta	172.64
Span Ports in N. Africa	Sp. Peseta	172.64
Sri Lanka	Rupee	27.37
Sudan Rep.	Pound	2.50
Surinam	Guilder	1.785
Swaziland	Lilangeni	2.4753
Sweden	Krona	8.5295
Switzerland	Franc	2.3902
Syria	Pound (D)	3.925
Taiwan	Dollar (o)	40.36
Tanzania	Shilling	17.25
Thailand	Baht	27.23
Togo Rep.	C.F.A. Franc	443.125
Tonga Is.	Pa'anga	1.4671
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.858
Turkey	Lira	555.77
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	1.4671
Uganda	Shilling	695.20
United Arab Emir.	Dirham	3.673
United Kingdom	Pound Sterling*	1.3535
Uruguay	Peso (m)	102.63
USSR	Rouble	0.809
Vanuatu	Vatu	108.18
Vatican	Lira	1947.37
Venezuela	Bolivar (g)	7.50
	Bolivar (g) (1)	4.30
	Bolivar (o)	14.40
Vietnam	Dong	98.3451
Virgin Is. British	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	7.50
Yemen PDR	Dinar	0.343
Yugoslavia	Dinar	297.81
Zaire Republic	Zaire	52.985
Zambia	Kwacha	2.2999
Zimbabwe	Dollar	1.6954

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Peru, August 2: Official rate devaluation of approximately 12 per cent. (3) Poland, June 1: Official devaluation of 13.2 per cent. (4) Equatorial Guinea, December 31: Currency joins Franc zone. (5) Jamaica, November 8: Rate adjustment fixed by Central Bank bi-weekly auction. (6) Botswana, August 4: Pula revalued by 3 per cent against a basket of currencies. (7) Saudi Arabia, June 10: Official devaluation of 1.1 per cent. (8) Argentina, June 15: New currency introduced—1 Austral equals 1,000 Pesos. (9) Chile, June 29: Official devaluation of 7.8 per cent. (10) Israel, July 1: Official devaluation of 18.8 per cent. (11) Italy, July 21: Official devaluation of 8 per cent within the EMS. (12) Mexico, July 11: New free rate introduced to replace old free rate. (13) Mexico, July 24: Controlled peso rate devalued by 16.7 per cent. (14) Ghana, August 12: Cedi devalued by approximately 7 per cent. For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅛	99⅛	Exch 12¼pc 1985	99⅞		12.25	11.72
101⅛	99⅛	Exch 11¾pc '86	100⅛	–⅛	11.73	11.09
99⅞	97⅛	Treas 10pcCnv 1986	99⅛xd		10.05	11.04
96¼	92¼	Treas 3pc 1986	96¼		3.12	9.13
100	97½	Exch 10½pc Cv '86	99⅛	–⅛	10.55	11.10
101⅞	99¼	Treas 12pc 1986	100⅜		11.95	10.97
98⅛	94¼	Treas 8¼pc 1984-86‡‡	98¼		8.65	10.75
105⅛	102⅛	Exch 14pc 1986	103	–⅛	13.60	10.97
94⅛	87¼	Exch 2½pc 1986	94¼		2.65	7.71
104⅛	101¼	Exch. 13¼pc 1987	102⅞		12.88	10.79
99⅛	96⅝	Treas 10½pcCv '87	99¼	–⅛	10.33	10.78
92⅛	85½	Exch 2½pc 1987	92¼		2.70	7.95
100	96¼	Exch. 10½pc 1987	99¼xd		10.59	10.71
94¼	89	Funding 6½pc '85-87‡‡	94⅛		6.90	10.49
99⅛	95½	Treas 10pc 1987	98¼		10.13	10.77
91¼	84¼	Treas 3pc 1987	91⅛	–⅛	3.29	8.40

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
287	212	BPB Inds. 50p	285	+5	7.7	3.0	3.9	11.3
284	206	Baggeridge Brick	284	+6	6.25	3.7	3.1	12.2
32	20	Bailey (Ben) 10p	28		‡1.0	2.9	‡	3.7
40	25	Baldwin (H. J.) 10p	39		—	—	—	13.0
102	66	Barratt Dev. 10p	102	+2	7.63	1.1	10.7	12.5
138	111	Bellway	120		7.0	2.0	8.1	8.3
71	61	Benford M. 10p	65xd		3.75	0.7	8.2	34.6
176	146	Berkeley Group	176		d3.6	3.6	2.9	13.4
65	50	Bett Bros. 20p	63		d3.1	1.6	7.0	11.1
910	540	Blockleys 20p	900xd		†21.0	3.2	3.3	11.8
562	468	Blue Circle £1	523	+7	20.0	2.5	5.5	(8.3)
238	190	Breedon Lime	237xd		†8.9	2.1	5.4	23.2
79	59½	Brickhouse Dudley 10p	74	+2	3.45	1.7	6.7	12.4
145	130	BB & EA	140		2.5	2.6	2.5	21.5
79	55	British Dredging	66		2.5	1.8	5.4	14.9
79	63	Brownlee	68		4.0	2.2	8.4	7.6
77	64	Bryant Hldgs	74		†3.0	3.0	5.8	8.0
190	20	Burnett & Hallam	20		8.75	0.6	62.5	3.0
56	50	Cakebread Rby A 10p	50		3.1	1.9	9.2	8.4
81	50	Cement-Roadstone	78xd		‡0.16.62c	3.0	4.5	10.9
58	25	Chessmaster Grp.	36	+1	—	—	—	—
66	40	Conder Group	62		1.5	1.8	3.5	22.0
62	25	Copson (F.) 5p	32xd		1.5	1.1	6.0	22.0
466	334	Costain Group	442xd	+2	†15.0	2.9	4.8	8.3
308	204	Countryside Props	300	+6	†5.04	5.8	2.3	7.8
106	84	Crouch (D.) 20p	98xd		†5.39	1.4	7.9	12.6
82	62	Dew (George) 25p	76		5.7	2.2	10.7	6.0
62	47	Douglas (Robt. M)	58		1.75	—ф	4.4	—
25	16½	Dutton Group 5p	23xd		0.24	♦	1.5	♦
65	60	Erith	68		3.1	2.0	7.4	9.6

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

MINES—Continued

Tins

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
30½	4½	♦York Resources	4½	.....	—	—	—
290	212	Ayer Hitam $M1	240	.....	vf014c	1.0	17.0
250	168	Geevor	170	.....	12.0	♦	10.1
175	90	Gopeng Berhad M$0.50	100	.....	g$0.16	♦	5.7
650	650	Hongkong	650#	.....	—	—	—
27	11	Jantar 12½p	21	.....	2.5	♦	17.0
55	34	Malaysia Mng. 10c	36	+1	v06c	♦	4.9
38	17	♦Pahang	17#	.....	B—	—	—
650	200	Pengkalen 10p	250	.....	—	—	—
275	165	Petaling $M1	165	.....	v060c	♦	10.6
275	185	Sungei Besi $M1	190	.....	v043c	—	6.6
285	170	Tanjong 15p	170	.....	g3.5	—	2.9
250	90	♦Tongkah H. Tin $M1	120	.....	v023c	1.2	5.8
305	190	Tronoh $M1	200	.....	tv064c	1.1	9.3

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
55	30	Anglo-Dominion	30	.....	—	—	—
		For Anglo Utd Dev see Recent Equities					
350	117	♦Centennial Min'ls.	180	−2	—	—	—
120	60	♦Colby Res Corp.	65	.....	—	—	—
550	287	Cons. Murch. 10c	300	−25	g086½c	3.9	8.6
40	24	♦Emex Int. Ir10p	30	.....	—	—	—
215	115	Hampton Areas 10p	132	−3	3.75	0.9	3.8
260	135	♦Highwood Res.	165	.....	—	—	—
£22½	£17½	Homestake Mining $1	£18	−¼	020c	—	8.0
310	185	♦McFinley Red Lake	185	−5	—	—	—
335	195	♦Mustto Explorations	290	+10	—	—	—
55	23	♦New Sabina Res C$1	35	−2	—	—	—
375	245	Northgate C$1	245	.....	—	—	—
685	533	RTZ	558	−7	20.0	2.7	5.1
£145½	£116½	Do. 9½pcLn '95-2000	£127½	.....	Q9½%	14.0	†7.6
965	950	♦Tara Expln $1	965	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‡ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	99	.....	Arnott	205	.....
Craig & Rose £1	700	.....	CPI Hldgs	62	.....
Finlay Pkg. 5p	65	.....	Carrol Inds.	138	.....
Higsons Brew	235	.....	Dublin Gas	73	.....
Holt (Jos) 25p	730	.....	Hall (R. & H.)	62xd	.....
IoM Stm. £1	90	.....	Helton Hldgs.	23	.....
IRISH			Irish Ropes	46	.....
Fund 11¼% 1988	£101¼	+¼	Jacob (W.& R.)	80	.....
Nat. 9¼% 84/89	£97¼	.....	Unidare	109	.....
Fin 13% 97/02	£107¼	.....			

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities regain composure after four-day decline
British Telecom's figures please

Account Dealing Dates
Option

*First Dealings	Declara-tions	Last Dealings	Account Day
Sept 2	Sept 12	Sept 13	Sept 23
Sept 16	Sept 26	Sept 27	Oct 7
Sept 30	Oct 10	Oct 11	Oct 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equity markets regained composure yesterday having previously drifted nervously lower for four consecutive trading sessions on crude oil price worries. Confidence was restored by the resilient performance overnight on Wall Street and British Telecom's better-than-expected first-quarter profits.

The volume of overall business was nevertheless still moderate but, with buyers in the ascendancy throughout the day, widespread gains were recorded. Stock in various blue chip industrials was very often in short supply after the institutions' brief foray on Wednesday and this resulted in some exaggerated price movements.

Oil shares took the previous day's technical improvement a stage further with sentiment receiving a boost by reports that Saudi Arabian oil production, which jumped to more than 3m barrels per day earlier this month, has since fallen to around 2m barrels per day. Properties were popular following publicity given to stockbrokers' Phillips and Drew's review of the sector.

Elsewhere, takeover speculation revived with Argyll Group a prominent feature behind press suggestions that Distillers may launch a bid of 400p per share. Allied Lyons, meanwhile, fell initially on fears that the planned Australian tax changes would deter a bid from Elders but later recovered to close well above the day's lowest level.

The gradual improvement in sentiment was amply demonstrated by the performance of the FT Ordinary share index which extended an initial 3.5 gain at the 10.00 am calculation to one of 7.0 to 1,007.8 at the close.

The paucity of business transacted in conventional Government securities was reflected in closing price lists which showed scant alteration from overnight levels. Despite the steadier performance of sterling on foreign exchange markets, buyers were reluctant to commit funds ahead of today's important economic data from the U.S.—the "flash" GNP third-quarter estimate.

Index-linked issues, however, did show to advantage on consideration of current inflationary trends and gains here ranged

Clearers rally

Clearing banks rallied in sympathy with the general trend. NatWest moved up 6 to 638p and Lloyds recovered 5 at 408p. Elsewhere, Royal Bank of Scotland encountered revived speculative support and closed 6 dearer at 266p, while Provident Financial continued to reflect takeover hopes with a fresh improvement of 5 to a 1985 peak of 272p. Hambros, up 20 on Wednesday after speculative buying, reacted from an initial firm level of 177p to close a net 5 easier on balance at 165p following profit-taking. Hambro Trust also softened 5 to 165p in sympathy.

Composites made the running in Insurances. Royals led the way with a rise of 17 to 682p, while improvements of 9 and 10 respectively were seen in GRE, at 682p, and Sun Allience, at 465p. Elsewhere, Legal and General improved a few pence more to 673p after comment on the interim results.

Allied-Lyons, dull initially amid thoughts that changes in the Australian taxation structure could inhibit Elders' intimated consortium takeover approach, rallied from the day's low of 265p to finish only 4 off on balance at 273p.

The *Building* sector presented a generally firm appearance. Blue Circle met with renewed support at 523p, up 7, while Rugby Portland Cement, half-timer due on September 30, gained a penny to 123p. Barratt Developments, a firm market on Wednesday following a broker's recommendation, added a couple of pence more to 102p; the annual results are due next Tuesday. Taylor Woodrow firmed 5 to a year's high of 470p, but RMC again lacked support and shed 6 to 384p. Elsewhere, Baggeridge Brick put on 6 to 284p following speculative buying in a restricted market, while Countryside continued firmly at 308p, up 6. F. J. C. Lilley were unsettled by news that its jointly-owned company Baxter Fell International had run into trouble with its £130m Algerian contract and dipped to 60p prior to closing 3 cheaper on balance at 63p.

ICI fluctuated narrowly prior to closing a shade dearer at 659p, while Laporte closed 3 firmer at 318p following the satisfactory interim results and confident statement. Among other Chemicals, Leigh Interests put on 6 to 90p following a broker's circular.

Leading Retailers continued to trade in subdued fashion and only Burton, 5 dearer at 508p, made any appreciable headway. Woolworth, which revealed interim results on Wednesday, dipped 15 to 465p as short-term operators unwound speculative positions. In contrast, secondary Stores returned to the limelight and provided a host of noteworthy features. Owen Owen spurted 40 to 435p as takeover chatter revived; rumours were circulating that Clayform Properties had sold its strategic stake in the company. Buyers also returned for ladieswear retail chain Martin Ford which advanced 7 to a new peak of 54p, and for J. Hepworth, another 7 to the good at 236p. Dixons improved 30 more to 885p, while Elys of Wimbledon, another perennial asset takeover situation, put on a like amount to 525p. Amber Day hardened a fraction to 7¾p in response to the annual profits recovery. Mail-orders, depressed on Wednesday by the cautious tenor of a market research survey, attracted fresh support with Grattan 6 up at 312p and Empire 4 dearer at 140p.

Electricals, a nervous and sensitive sector in recent weeks, put on a better showing yesterday. The firmer tone was initiated by British Telecom which revealed first-quarter profits in excess of expectations and touched 205p before settling 8 dearer on balance at 204p. Cable and Wireless, 590p, and Thorn EMI, 377p, advanced 15 and 7 respectively. STC rallied 4 to 92p, although dealers were quick to express scepticism over reports of a bid for its underwater cables operation. Cass Group slumped to 125p before closing 45 off on balance at 135p following details of the agreed share-exchange bid from Telephone Rentals, 8 cheaper at 172p. Kode International, which announced sharply reduced interim profits and dividend earlier in the week, remained volatile and dipped 8 to 97p.

News that Evered Holdings has exercised its option to acquire a further 4.25m shares in TI—increasing its stake in the company to 14.7 per cent—prompted an initial flurry of buying in TI which touched 390p prior to closing a net 10 higher at 388p. Elsewhere in Engineers Hawker Siddeley and Vickers rallied from initial dullness to close with gains of around 3 apiece at 393p and 281p respectively; the latter's interim figures aer scheduled for Thursday. GKN attracted renewed interest and edged up a few pence to 237p. Favourable Press comment lifted Burgess Products 8 to 138p while Molins rose 6 to 178p in response to takeover speculation. A newsletter recommendation boosted Victor Products 10 to 118p.

Argyll Group claimed the light in the Food sector and raced up to 345p prior to closing a net 9 up at 332p following a press suggestion that Distillers may make a 400p per share bid; at the beginning of this month, Argyll issued a statement denying that it intended to make an offer for Distillers "at the present time." Distillers were also a firm market on expectations of a bullish statement from the chairman at the annual meeting and, with this duly forthcoming, the shares closed 10 higher at 395p, after 397p. Elsewhere, Rowntree Mackintosh revealed disappointing half-year profits, but the shares rose 11 to 373p on the board's confident statement. William Morrison gained 8 to 164p in reply to the excellent interim results and Hillards rose 10 to 385p in sympathy. Dee Corporation were favoured at 290p, up 5; the shares are quoted ex the scrip issue next Monday. Normans, a firm and active counter Tuesday on bid speculation, shed 2 to 79½p in front of today's annual meeting, but Carr's Milling attracted fresh support and rose 11 to 151p.

A.B. Ports rise

Buyers reappeared for selected leading miscellaneous industrials. BTR revived with a gain of 8 to 366p and Beecham rose 7 to 335p. British Aerospace attracted renewed support on further consideration of the proposed UK Saudi Arabian military aircraft contract and closed 11 higher at the day's best of 411p, while Associated British Ports touched 347p prior to closing a net 19 up at 342p following a broker's lunch. Fisons hardened 4 to 351p, but Trafalgar House were a dull market and settled 7 lower at 354p. Elsewhere, Cookson slipped 3 to 282p after announcing an agreed offer worth £41.5m for the Frank Horswell Group, printing equipment suppliers and manufacturers. Steetley, up 5 at 346p, reflected a "chart buy" signal, while Siebe jumped 20 to 595p on hopes connected with its Compair subsidiary. USM-quoted Ramco Oil fell 10 to 40p following disappointing interim figures, while Staffordshire Potteries shed 2 to 61p in the wake of lower annual profits.

Dealings in Midsummer Inns were resumed at 275p compared with the suspension price of 265p; negotiations which might have led to the acquisition of George Bateman have been terminated. Owners Abroad hardened ¼ to 24¼p following the good interim results; while Barr and Wallace Arnold Trust A gained 9 to 128p on news that Mr Kerry Firth had increased his stake to 6 per cent.

Among generally idle Publishers, Trinity International dipped 7 to 243p after the annual profits setback. Paper/Printings highlighted British Printing and Communication which advanced 7 to 183p reflecting satisfaction with the half-timer, but further consideration of the dismal mid-term figures clipped 3 more from Bemrose, at 125p. Michael Peters, the USM-quoted design consultants, spurted 20 to 243p ahead of today's preliminary figures.

Publicity given to a broker's circular in which buoyant city rents were highlighted gave a strong boost to the property sector and some useful gains were recorded. Land Securities were well to the fore and closed 6 higher at the day's best of 300p, while MEPC advanced 7 to 299p. Haslemere Estates rose 8 to 488p, and Peachey improved 3 to 261p. Elsewhere, London and Edinburgh moved up 14 to 310p in a restricted market and Speyhawk gained 9 to 257p, the latter folloging Press comment. Rush and Tomkins found support nad firmed 6 to 262p and Percy Bilton gained the same amount to 228p. A. Caird attracted fresh buying interest in the wake of news that Cardiff Property had acquired a 13 per cent stake in the company and put on 5 to 43p.

Britannia Arrow hardened a couple of pence more to 112p on further reflection of the excellent interim profits. In sharp contrast, Yule Catto slumped 17 to 185p and Ifico fell 27 to 161p following disappointment with their respective interim and full-year figures.

Oils up again

A report that Saudi Arabian oil production has fallen to a current 2m barrels a day from an early-September figure of around 3m barrels ad day helped the leading oils extend Wednesday's recovery movement. BP added 5 more at 540p, a two-day improvement of 17—while Shell edged up a similar amount to 683p.

Secondary oils showed a majority of minor falls. Falcon Resources dipped 5 to 55p as did Great Western Resources to 125p, but Monument Oil & Gas were well supported and improved 2 to 19p reflecting the company's interest in the recent North Sea oil discovery.

Overseas Traders again highlighted Polly Peck which continued its recent recovery and advanced 9 for a two-day improvement of 18 at 221p.

Golds lose ground

The recent steadier trend in South African mining markets was disturbed in early trading yesterday by marked weakness in the Financial Rand, which triggered widespread but generally minor selling of Golds from many international dealing centres. However, a gradual recovery by the Rand inspired "cheap" buying of Golds towards the end of the day and most closed well above the day's lowest levels.

Sentiment in Golds was additionally helped by a relatively steady performance by the bullion price which made modest progress throughout the day.

Consolidated Gold Fields attracted late support, aided by the recent good results and the firmer bullion price, and settled 3 better at 443p. Rio Tinto-Zinc, however, continued to lose ground on selling ahead of next Wednesday's interim results and switching into Gold Fields, and posted a 7 decline to 558p—a fall of 32 on the week so far.

Australians were marked down at the outset following a fresh bout of weakness in overnight Sydney and Melbourne markets ahead of news of the major package of taxation changes announced by the Federal Government.

Traded Option volume expanded slightly. Total contracts struck amounted to 9,517. British Telecom headed the list, attracting 1,918 calls and 454 puts in the wake of the excellent first-quarter figures. Operators also displayed fresh enthusiasm for Commercial Union which recorded 1,277 calls.

FINANCIAL TIMES STOCK INDICES

	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 13	Sept. 12	year ago
Government Secs	83.19	83.25	83.25	83.15	82.94	82.74	80.15
Fixed Interest	88.56	88.56	88.40	88.33	88.33	88.14	83.32
Ordinary ♥	1007.8	1000.8	1002.7	1007.7	1011.9	1014.0	868.2
Gold Mines	308.5	316.4	316.4	317.4	317.5	323.9	539.1
Ord. Div. Yield	4.72	4.75	4.74	4.72	4.71	4.69	4.80
Earnings, Yld. % (full)	11.57	11.65	11.63	11.58	11.54	11.51	11.44
P/E Ratio (net) (*)	10.70	10.63	10.64	10.70	10.73	10.76	10.50
Total bargains (Est.)	20,647	20,598	20,720	21,429	23,742	20,596	18,511
Equity turnover £m.	—	371.34	316.57	327.29	530.65	370.46	358.54
Equity bargains	—	17,057	17,856	18,762	21,356	16,855	17,672
Shares traded (ml)	—	200.2	164.4	172.0	245.7	169.9	186.7

♥ 10 am 1004.3. 11 am 1004.5. Noon 1005.5. 1 pm 1006.0. 2 pm 1007.3. 3 pm 1007.2. 4 pm 1007.8.

Day's High 1008.4. Day's Low 1003.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.

Latest Index 01-246 8026.

*Nil=10.31.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.81 (25/8)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1034.5 (22/1)	911.0 (29/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	280.1 (29/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Sept. 18	Sept. 17
Daily Gilt Edged Bargains	117.9	146.4
Equities Bargains	110.5	115.7
Equities Value	750.6	637.8
5 day Average Gilt Edged Bargains	124.3	125.2
Equities Bargains	119.1	119.6
Equities Value	774.3	786.0

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied-Lyons	273	− 4
Assoc Brit Ports	342	+19
BPCC	183	+ 7
Cookson	282	− 3
Distillers	395	+10
GKN	237	+ 3
Hambros	165	− 5
Indl Fin & Inv Corp	161	−27
Laporte Inds	318	+ 3
Owen Owen	435	+40
Peters (Michael)	243	+20
Steinberg	73	+ 7

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Polly Peck Intl	18	212	+ 9
Legal and Gen	16	670	+25
Belgrave Hldgs	15	92	+12
Brit Aerospace	15	400	—
Shell Transport	15	678	+ 5
Matthews (B.)	14	495	+15
BP	13	535	+12
GKN	13	234	+ 7
Williams Hldgs	13	373	+23
Armstrong Eqp	12	57	+ 8½
ICI	12	657	− 5
Suter	12	154	+ 7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	28	66
Corpns Dom and Foreign Bonds	13	12	53
Industrials	312	228	944
Financial and Props	136	67	352
Oils	16	25	84
Plantations	3	6	9
Mines	20	81	79
Others	52	78	100
Totals	566	525	1,687

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 33,086

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (68) / NEW LOWS (32)

BUILDINGS (3): Baggeridge Brick, Countryside Prop., Taylor Woodrow

STORES (10): Asprey, Caird (A.), Dixon Group, Ford (Martin), Kent (John), Milletts Leisure, Owen Owen, Stirling Group, T. & S. Stores, Time Products

ENGINEERING (6): Cronite, Priest (Ben), Do. 8pcCnv.Rd.Pf., Telfos, Weir, Do. 10pc Cnv.Pf.

FOODS (5): Argyll Group, Carr's Milling, Dee Cpn., Morrison (W.), Northern Foods

HOTELS (1): Breakmate

INDUSTRIALS (18): Assoc Brit Ports, Assoc Heat Services, Barlow, Bluebird Toys, Bodycote Intl., Clarke (Clement), Crean (J.), Crest Nicholson, Deport, Erskine House, Flogas, Johnson Cleaners, Macfellan (P. & W.), Nolton, Rank Orgn., Siebe, Sketchley, Tomkins (F. H.)

INSURANCE (1): Allianz AG

LEISURE (3): A. & M. Hire, Pleasurama, Do. 7pcCv.Cm.Rd.Pf.

MOTORS (2): Kwik-Fit, Perry

PROPERTY (9): Clayform Prop, Estates & General, Evans of Leeds, Gable House Prop., Land Investors, Ldn & Ed'burgh Tst., Do. 6½pc Cnv.Pf., Speyhawk, Utd. Real Prop.

TEXTILES (1): Stroud Riley Drummond

TRUSTS (2): Trogmorton Sec. Cap., Hambro Tst.

MINES (1): Pelsart Resources

PAPER (2): Bemrose, Good [illegible]

PROPERTY (1): Lend Lease

SOUTH AFRICANS: Abercom

TRUSTS (4): Camellia Invests., Fledgeling Japan Wt., [illegible]

OILS (2): Gt. Westn. Resources, [illegible]

PLANTATIONS: Anglo-Indonesian, [illegible]

MINES (6): Vlakfontein, Gold Fields S.A., Rand London, [illegible]

OPTIONS

First Dealings	Last Dealings	Last Declarations	For Settlement
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30
Oct 7	Oct 18	Jan 2	Jan 13

For rate indications see end of Unit Trust Service

Money was given for the call of West Coast, Falcon Resources, Allied-Lyons, Westland, Barratt Developments, Portman Mining, Jack L. Israel and Harris Queensway. No puts or doubles were reported.

LONDON TRADED OPTIONS

[illegible]

September 19 Total Contracts 9,517 Calls 6,934 Puts 2,583

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

SWEDEN

HONG KONG

DENMARK

ITALY

SWITZERLAND

JAPAN

SINGAPORE

FRANCE

NETHERLANDS

AUSTRALIA

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm September 19

Sales	Stock	High	Low	Close	Chng
48100	C Marconi	\$20⅝	20⅝	20⅝	−⅛
18527	C Occdental	\$26⅜	26¼	26¼	+¼
649942	CP Ltd	\$18⅞	18⅝	18⅞	+⅛
60898	CTire A f	\$9⅜	9¼	9¼	
1006	CUtil A f	\$17⅞	17⅞	17⅞	−⅛
1150	Cantor	\$8⅛	8	8⅛	+⅛
1200	Canron A	\$13¼	13¼	13¼	−½
3020	Cara	\$16¼	16	16	
2220	Cara A f	\$15⅞	15¾	15⅞	+¼
4050	Carl OK	\$14⅞	14⅝	14¾	
2457	Carma A	42	42	42	−3
6702	Imasco	\$24¼	24	24	
21601	Imp Oil A	\$48¾	48¼	48⅝	+½
259738	Inco	\$18⅜	18	18¼	
600	Indal	\$15⅞	15¾	15⅞	+⅛
9800	Inland Gas	\$22¼	22⅛	22¼	
4850	Innopac	\$14¼	13⅝	14⅛	+⅝
12000	Inter City	\$15½	15¼	15½	+¼
22200	Intl Thom	\$8⅞	8⅞	8⅞	−⅛
3900	Intpr Pipe	\$42¾	42½	42¾	+¼
1329	Ipsco	\$13⅝	13½	13½	
130	Ivaco A f	\$19⅛	19⅛	19⅛	+⅛
48596	Royal Bnk	\$30⅝	30¼	30⅝	−⅛
34812	RyTrco A	\$20¼	20	20¼	+½
71525	Royex	300	290	299	+3
2575	St. CemA f	\$21¼	21¼	21¼	
5381	Sceptre	\$5½	5⅜	5½	+⅛
200	Scot Paper	\$18½	18½	18½	−¼
225	Scotts f	\$26¾	26¾	26¾	−¼
25	Scotts C	\$26¾	26¾	26¾	
35850	Seagram	\$55	54⅝	54⅞	+⅜
3500	Sears Can	\$8¾	8¾	8¾	+⅛
5100	Selkirk A f	\$21	21	21	

MONTREAL

Closing prices September 18

Sales	Stock	High	Low	Close	Chng
47125	Gaz Metro	\$11⅝	11½	11½	−¼
40832	NatBk Cda	\$21¼	20¾	21	+¼
11140	Power Corp	\$17½	16¾	17½	+⅝
200	RollandA	\$18¼	18¼	18¼	+¼
1038180	Ryl Bnk	\$30⅝	30⅜	30	
800	RoyTrstco	\$19⅞	19½	19½	−⅞
816	SteinbrgA	\$25	24¾	24¾	−¼

f—No voting rights or restricted voting rights.

Indices

NEW YORK–DOW JONES

	Sept 19	Sept 18	Sept 17	Sept 16	Sept 13	Sept 12	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,303.2*	1,300.40	1,299.18	1,308.74	1,307.88	1,312.38	1359.54 (19/7)	1184.96 (4/1)	1359.54 (19/7/85)	41.22 (2/7/32)
Transport	654.14*	648.29	645.83	659.53	658.47	663.27	702.6 (17/7)	553.03 (4/1)	702.68 (17/7/85)	12.32 (8/7/32)
Utilities	153.15*	153.31	153.16	153.57	152.68	152.85	158.81 (12/7)	146.54 (4/1)	158.81 (12/7/85)	10.5 (28/4/42)
Trading vol		105.7m	111.9m	88.7m	111.4m	107m	–	–	–	–

	Sept 13	Aug 30	Aug 23	Year Ago (Approx)
Ind Div Yield %	4.71	4.61	4.66	4.87

STANDARD AND POORS

	Sept 19	Sept 18	Sept 17	Sept 16	Sept 13	Sept 12	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	204.17*	202.58	202.15	203.03	204.05	204.94	215.83 (19/7)	128.24 (4/1)	215.83 (19/7/85)	3.62 (30/6/32)
Composite	183.15*	181.71	181.38	182.88	182.91	183.68	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Sept 11	Sept 4	Aug 28	Year Ago (Approx)
Ind div yield %	3.79	3.75	3.72	3.97
Ind. P/E Ratio	12.41	11.81	11.88	10.69
Long Gov Bond Yield	10.73	10.39	10.39	12.30

N.Y.S.E ALL COMMON

Sept 19	Sept 18	Sept 17	Sept 16	1985 High	1985 Low
105.81*	105.08	104.88	105.78	113.40 (17/7)	94.60 (4/1)

RISES AND FALLS

	Sept 18	Sept 17	Sept 16
Issues traded	1,986	2,008	1,945
Rises	626	415	680
Falls	871	1,142	729
Unchanged	489	449	536

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Rich Vk	3,704,200	47⅛	−1⅜
Citicorp	1,551,600	41⅝	+¼
IBM	1,283,000	127¾	+⅛
ATT	1,130,000	21⅜	+½
Am Express	1,036,400	41⅝	+1
Hewlt-Pack	1,025,100	33⅞	−⅛
Amer Info	970,500	91⅛	+1⅜
Motorola	916,600	35	+1½
Gen Elec	898,600	58⅝	−⅛
Exxon	789,700	49⅞	+⅛

Advances 893 Declines 479

TORONTO

	Sept 19	Sept 18	Sept 17	Sept 16	1985 High	1985 Low
Metals & Minls	1,925.1*	1,911.6	1,904.45	1,94·2	2190.7 (13/2)	1888.0 (4/1)
Composite	2,874.4*	2,862.1	2,851.58	2,8·8 1	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	131.03*	130.51	129.29	13·.85	138.33 (19/7)	117.00 (4/1)

* Indicates pre-close figure

	Sept 19	Sept 18	Sept 17	Sept 16	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	943.3	945.4	982.0	983.3	963.3 (13/9)	715.3 (7/1)
Metals & Mins. (1/1/80)	507.5	511.0	524.8	528.1	583.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	100.09	100.28	100.30	100.25	105.73 (17/8)	85.21 (2/4)
BELGIUM						
Brussels SE (1/1/80)	2,485.10	2472.65	2456.39	2432.74	2435.90 (9/9)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	u	u	216.59	216.78	218.41 (9/9)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	218.3	218.8	217.8	218.8	233.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	123.1	123.0	123.3	123.7	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	520.09	522.84	519.74	515.46	519.38 (12/9)	382.39 (3/1)
Commerzbank (1/12/53)	1535.3	1541.1	1534.0	1513.4	1523.3 (12/9)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1583.27	1563.62	1569.40	1600.23	1711.51 (18/8)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	398.93	399.17	393.85	392.39	390.28 (13/9)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12564.99	12529.66	12591.51	–	13040.10 (6/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1004.10	1003.70	1009.20	–	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	221.2	220.0	220.0	219.3	223.0 (3/9)	185.6 (3/1)
ANP-CBS Indust (1970)	193.3	192.1	192.0	191.8	194.1 (3/9)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	368.08	365.99	364.88	364.17	384.70 (13/9)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	778.88	766.95	757.60	754.28	852.65 (7/3)	717.85 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	u	1034.9	1038.0	1024.2	1140.8 (15/4)	838.1 (11/2)
JSE Indust (28/9/78)	u	946.9	948.1	948.1	1038.8 (17/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	108.98	109.00	109.45	109.68	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (11/58)	1,398.84	1386.88	1374.21	1378.64	1486.98 (11/2)	1286.32 (8/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	494.5	491.7	493.8	494.7	499.3 (11/9)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	212.8	212.2	212.8	u	224.3 (17/7)	184.8 (4/1)

* Indicates pre-close figure ** Saturday September 7 Japan Nikkei Dow 12,479.08 TSE 1,017.58 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 43

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 2% IL 1996	£114⅛	+ ⅛
Argyll Group	332	+ 9
Assoc Brit Ports	342	+ 19
BAe	411	+ 11
BPCC	183	+ 7
British Tel	204	+ 8
Burgess Prod	138	+ 8
Carr's Milling	151	+ 11
Distillers	395	+ 10
Ford (Martin)	54	+ 7
Land Sec	300	+ 6
MEPC	299	+ 7
Molins	178	+ 6
Morrison (Wm)	164	+ 8
Owen Owen	435	+ 40
Peters (Michael)	243	+ 20
Rank Org	418	+ 11
Rowntree Mack	373	+ 11
R Bank of Scot	268	+ 6
Royal Ins	682	+ 17
Siebe	595	+ 20
TI	388	+ 10
Victor Prod	118	+ 10

FALLS

Cass	135	− 45
Falcon Res	55	− 5
Ind Fin & Inv	161	− 27
Telephone Rent	172	− 8
Trafalgar House	354	− 7
Woolworth	465	− 15
Yule Catto	185	− 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, September 19

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.5	15	99	22	21¾	22	+⅛
17⅜	9¾	AGS			13	65	16¼	16⅛	16⅛	−⅛
16½	8⅝	AMCA				5	10⅛	10⅛	10⅛	+⅛
21½	13	AMF	.25j		97	440	13⅝	13½	13⅝	+⅛
50¾	26¼	AMR			7	3702	41⅞	40¾	41¾	+1
23⅝	18⅝	AMR	pf2.18	9.4		403	23¼	23⅛	23¼	−⅛
25⅞	23	ANR	pf 2.67	11.		1	23¼	23¼	23¼	
14¼	7⅝	APL				5	8⅝	8⅝	8⅝	−⅛
61⅛	34¾	ASA	2	5.4		349	37¾	37	37⅜	+½
27	11⅝	AVX	.32	2.6	18	20	12⅜	12	12⅜	+⅜
26⅛	19¼	AZP	2.72	12.	7	425	23⅝	23½	23⅝	
60	36¾	AbtLab	1.40	2.5	16	1791	55⅞	54½	55¾	+⅞
25⅞	20	AccoWd	.50	2.4	16	60	21⅛	20¾	21⅛	+¼
24¾	12½	AcmeC	.40	2.9		15	14	13¾	14	+¼
19	15½	AdaEx	1.92e	11.		19	17¼	17⅛	17⅛	+⅛
20	13½	AdmMl	.32	1.8	7	3	17½	17½	17½	+⅛
17¾	8⅝	AdvSys	.53t	3.9	19	245	13¾	13⅛	13⅝	+¾
40⅝	22⅛	AMD			17	6554	28⅛	27⅜	27¾	+⅝
12⅛	8⅞	Advest	.12	1.4	19	172	8⅞	8½	8½	−⅜
15⅞	9½	Aerflex			11	45	13	12⅜	12¾	−⅛
45⅝	32⅜	AetnLf	2.64	5.9	15	2227	44⅝	43⅝	44½	+1¼
57½	52⅝	AetL	pf5.79e	10.		10	55½	55½	55½	+⅛
37⅜	20½	Ahmns	1.20	4.0	8	1168	30⅛	29⅝	30⅛	+⅝
3⅝	2½	Aileen				83	2⅞	2¾	2⅞	

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
35¾	24⅛	SalltaM .16		.5	15	1520	33¼	33	33	
28⅝	20	SDieGs2.24		8.9	8	258	25⅛	24⅞	25⅛	+⅛
9¼	6¾	SJuanB92e		10.	10	148	9	8⅞	8⅞	
47½	31	Sandr .60		1.6	19	487	36⅞	36⅝	36¾	+⅛
25⅜	20	SAnitRt1.94		8.1	13	130	24	23⅞	24	+⅛
35⅝	23⅛	SFeSoP 1		3.1	14	5589	32⅝	31½	32½	+⅞
46	30	SaraLee .44		3.4	12	611	41¾	41¼	41¾	
35⅞	29⅛	SgtWel 1.40		4.1	15	7	34⅛	34	34	
19⅛	15¾	SaulRE .20		1.1	46	3	18	18	18	
22¼	16⅝	SavEIP1.60		8.1	7	10	19¾	19⅝	19¾	+¼
23⅛	17⅝	SavE 1.34		6.5		4	20¾	20½	20½	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
25⅝	22	TrGP pf2.50		9.9		2	25⅜	25⅜	25⅜	−⅛
13⅜	8¼	TrnsOh			11	20	9½	9⅜	9½	+¼
47½	29½	Tranwy1.80		3.8	14	1121	47	46¾	47	
41⅛	28	Trnwld .48		1.3	13	385	38¼	37⅞	38	+¼
23⅝	12	Twld wtA				38	20⅝	20¼	20⅝	+⅜
34⅞	28¼	Twld pf 2		6.1		8	33	32¾	32¾	
17⅞	15⅞	Twld pf1.90		11.		2	17	17	17	
55½	46½	Xerox pf5.45		10.		277	54½	54⅜		
30¼	24⅝	ZaleCp 1.32		4.9	9	3	25⅞	25⅞		
21⅜	7¼	Zapata .12		1.6	54	210	7⅜	7½		
57⅝	31⅛	Zayre s .48		1.0	15	1024	49½	48¼		
27	15¼	ZenithE			10	627	17	16⅝		
21⅞	15¾	Zero s .32		1.7	16	49	18¾	18½		
37¾	22¾	Zurnin 1.32		3.7	12	145	36	35½		

AMEX COMPOSITE PRICES

Prices at 3pm, September 19

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Federal data brings spurt of optimism

A SPURT of optimism flowed through early trading on Wall Street yesterday, carried by encouraging federal data on consumer spending in August, *writes Terry Byland in New York.*

A report on consumer spending sponsored hopes of good news today from the Commerce Department on GNP growth. However, buying orders subsided after the early flurry and an overriding sense of caution returned to trim back advances.

At 2pm the Dow Jones industrial average was 2.80 higher at 1,303.20.

The most active stock on the New York Stock Exchange was Richardson-Vicks, where more than 3m shares traded in the first half of the session, moving the price only by a $⅛ gain to $49⅛. Hints that Unilever was about to win the bid battle against the Richardson board with an increased offer of $60 a share swept the market after a federal judge temporarily restrained the board from proceeding with its defence plans.

The Dow transportation average rebounded by more than 5 points as airline issues recovered sharply after this week's selling.

The bond market was also higher, despite the signs of strong consumer spending, which caused some analysts to upgrade their forecast of today's GNP "flash" estimate from the Commerce Department and to predict that money supply will continue to surge.

On balance, analysts expect the Federal Reserve to hold policies unchanged for the present – a view that firmed when the Fed again helped liquidity by buying $500m of bills on its customer accounts. But buying came mostly from the traders.

Turnover in the stock market, moderate at first, gathered pace as prices turned higher. IBM, down $1 initially, later moved up to $127⅞, a net gain of $⅞, with the stock attracting substantial turnover. But General Foods, another important constituent of the Dow average, remained $3¾ down at $85 as takeover speculation cooled again. Speculative attention switched to Pillsbury, which gained $2 to $59¾ on hopes that Phillip Morris might bid.

Wall Street was impressed by the higher first-quarter earnings at British Telecom, and the stock moved up $1 to $27⅛.

AT&T, $⅛ up at $21⅛, continued to respond favourably to the Federal Communications Commission ruling, allowing joint marketing of the group's long-distance services and telecommunications equipment.

Other technology stocks to extend Wednesday's gains were Burroughs, up $1⅜ at $64⅞, Digital Equipment, $3 higher at $107⅞ and Honeywell, $1⅜ ahead at $64¾. Only Control Data remained out of favour, slipping $⅛ to $18⅝.

American Airlines at $41⅛ was $⅛ better, although trading was not heavy. Also firmer in slack trading was United, $⅞ up at 50⅞ and Delta, $½ firmer at $42⅛.

Chrysler, $⅝ higher at $37⅛, was the best-favoured among motor issues, which also rallied after several dull sessions, at $68½, General Motors gained $¾ in brisk turnover.

In a nervous financial sector, stock in Citicorp edged up $⅛ to 41⅞ in heavy trading as the market took a positive view of the reshuffle of top positions. A strong feature was American Express, up $1⅞ at $41¾, also in hefty trading.

Other features included a gain of $⅜ to $33⅜ in Beatrice Group, as Salomon Bros priced an issue of 2.3m new Beatrice shares at $33.

Stock in Wheeling-Pittsburgh jumped $1½ to $8⅞ on suggestions that the chairman might resign, opening the way for a settlement of the two-month strike by the workforce.

In the credit market, short-term rates remained at overnight levels, buttressed by federal funds at 7⅛ per cent. Bond prices came off the top at mid-session as the market waited for the latest money supply statistics.

LONDON

Composure recaptured after slide

EQUITIES regained their composure in *London* yesterday after four consecutive easier sessions brought about by crude oil price worries. Confidence was also restored by British Telecom's better first-quarter profits than expected. BT ended 8p up at 204p.

Widespread gains were recorded, although the volume was only moderate. The FT Ordinary share index gained 7.0 to 1,007.8.

Oil shares took the previous day's technical improvements a stage further with sentiment receiving a boost by reports that Saudi Arabian oil production, which jumped to more than 3m barrels a day this month, has since fallen to around 2m b/d.

Gilts ended mostly unchanged from overnight levels. Buyers were reluctant to commit funds ahead of today's important economic data from the U.S. Index-linked issues, however, saw gains of up to ⅛.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38-39

AUSTRALIA

CONCERN over the Government's tax reforms, which were announced shortly after the market closed, continued to push prices lower in Sydney.

Most shares ended off their day's lows as bargain hunters stepped in late in the afternoon.

In media issues, Fairfax shed 20 cents to A$8.00 amid news of higher earnings for the year to June 30, Herald and Weekly Times was also lower at A$4.65, down 5 cents, while News Corporation gained 10 cents to A$6.80.

BHP ended the session unchanged at A$7.30 after 8.7m or A$78m worth of shares were traded.

HONG KONG

AFTER a sluggish session, stocks in Hong Kong ended the day mostly unchanged.

Fears of rising interest rates and continued pressure on the banking sector because of concern over bank exposure to the financially troubled Orient Overseas shipping group continued to overshadow the market.

Hongkong Bank was steady at HK$7.20 and Hang Seng Bank fell 50 cents to HK$42.00. Ka Wah Bank ended at 96 cents against 95 cents on Wednesday.

Hongkong Gas continued to rise after its healthy half-year report and finished the day at HK$9.90, up 35 cents.

In the property sector, Hongkong Land added 5 cents to HK$6.10, Sun Hung Kai Properties lost 10 cents to HK$12.70 and Hutchison Whampoa dropped 20 cents to HK$25.90. Cheung Kong gained 10 cents to HK$18.10.

EUROPE

Brussels rides to record

DOMESTIC considerations, particularly the possibility of an extension in legislation that gives tax advantages to share-market investors, yesterday pushed Brussels to its third consecutive record.

Although trading was slightly less active overall than in the previous two sessions, key leading issues remained heavily in demand, giving rise to confidence on the market's longer-term prospects.

Traders took profits and that slightly eroded the advance in the stock exchange index. The indicator closed 12.45 higher at a record 2,485.10, boosting the increase since Tuesday to 53.32.

The market's acceleration has been sponsored by expectations that the legislation giving tax breaks to people who invest in Belgian stocks will be prolonged beyond December 31.

Petrofina faltered during the afternoon session under the weight of mild selling but recovered to close BFr 20 higher at BFr 6,250 in active business. Other oil stocks were sluggish, with Cometra losing BFr 5 to BFr 2,695.

Profit takers were able to exert a far greater influence over the course of trading in Frankfurt, although volume was well down on recent levels.

The Commerzbank index eased 5.8 to 1,535.3, taking it below the peak reached on Wednesday and reflecting as well the absence of foreign investors.

Leading chemical stocks moved against the trend to close generally higher. BASF ended DM 3.50 higher at DM 233.90 and Bayer firmed a modest 20pfg to DM 227.

Automotive stocks again appeared slightly overheated after their recent strength and came back under light although steady selling. Daimler shed DM 5 to DM 971.50, followed by BMW, down DM 4.50 to DM 493, and VW, which eased DM 1.70 to DM 337.30.

Siemens rebounded from the heights hit during sessions earlier in the week, ending DM 4.50 to DM 603, while Nixdorf continued to enjoy support and added a further 50pfg to DM 580.

Deutsche Bank was depressed by sellers early in the day and did not recover, ending DM 2.50 to DM 602.50. Commerzbank was also lower at DM 220, off DM 2 and Dresdner shed DM 1.30 to DM 276.50.

The dollar's early firmer tone depressed bond prices, which ended up to 45pfg lower in active trading. The Bundesbank followed up a purchase of DM 47m worth of paper on Wednesday with the acquisition of another DM 26.4m.

Zurich's consolidation phase appeared to abate as share prices gained ground on increased volume in most sectors.

Banks received a lead from Bank Leu, which added SwFr 30 to SwFr 3,790 and Union Bank firmed SwFr 15 to SwFr 4,350.

Industrial stocks were mixed. Nestlé moved up SwFr 50 to SwFr 7,610.

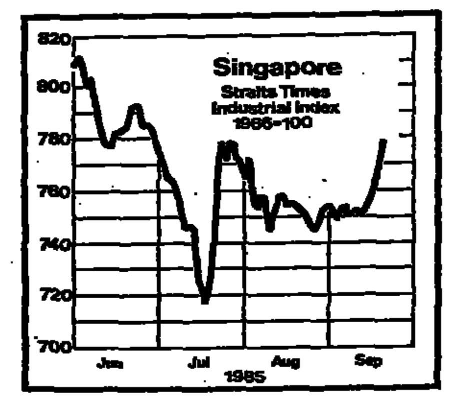
Although trading in Paris was restrained, the Bank of France's cut in the money-market intervention rate gave the market heart as prices edged higher.

Amsterdam made a tentative move higher with foreign buyers responsible for selective buying among insurance and publishing companies.

Amev failed to enjoy the support for insurers and slipped Fl 6.70 to Fl 298.50 as trading began in rights for a forthcoming issue.

Buying from institutions stemmed the decline started earlier this week in Milan, although the market ended mixed on a relatively small volume.

Stockholm gathered momentum and prices recovered ground lost earlier in the week. Madrid eased in dull business.



SINGAPORE

CONTINUED speculative buying support and short covering sent Singapore sharply higher in active trading.

The Straits Times industrial index firmed 11.98 to 778.93 as volume expanded to 32.8m shares, up from 31.3m traded on Wednesday.

Banks recorded strong gains, with DBS 15 cents higher at S$5.35, UOB 12 cents up at S$3.64 and OCBC 10 cents firmer at S$8.10.

Properties were led higher by Selangor Properties, up 17 cents at S$2.00. Singapore Land gained 8 cents to S$2.16.

Plantations, however, ended only modestly firmer.

TOKYO

Favourite falls from front line

PROPERTY, construction and incentive-backed stocks changed hands quickly in Tokyo yesterday, as profit-taking in Mitsubishi Heavy Industries, a market favourite, increased, *writes Shigeo Nishiwaki of Jiji Press.*

The 225-issue Nikkei-Dow market average gained 35.33 to 12,564.99 on volume reaching 453.89m shares, up from Wednesday's 426.14m. Losses outnumbered gains by 407 to 395, with 157 issues unchanged.

Mitsubishi Heavy Industries, which has been pulling up other large-capital issues since early August, dipped Y5 to Y429. It slipped from first to second in the 10 most active stocks list, with trading shrinking from 76.67m shares on Tuesday and 46.62m on Wednesday to 18.10m. Ishikawajima-Harima Heavy Industries and Nippon Steel dropped Y1 to Y200 and Y2 to Y168 respectively.

Among incentive-backed stocks, Sapporo Breweries was particularly popular, reflecting plans to redevelop its idle land. It was the busiest stock with 21.82m shares changing hands, soaring Y40 to Y615.

Nippon Yusen added Y16 to Y335 on expectations that easing of the Government's regulations on the shipping industry would allow effective use of real estate owned by the company. Nippon Express gained Y6 to Y595 and Mitsui Real Estate Y15 to Y987.

Leading construction stocks attracted buyers, with three construction companies making it on to the most active list. Taisei jumped Y12 to Y383, Shimizu Construction closed Y8 higher at Y395, and Kajima Y3 higher at Y520.

Sekisui House was Y22 up at Y930 and Kumagai Gumi Y16 up at Y884. Matsui Construction soared Y41 to Y356 and Shokusan Jutaku advanced Y30 to Y590.

The yield on the benchmark 6.8 per cent government bond maturing in December 1994 rose above 6 per cent for the first time for three sessions. The bond slipped below the 6 per cent mark on Tuesday for the first time as a long-term bond on active buying by bank dealers, but investors were discouraged by a rise in U.S. long-term interest rates and the Japanese central bank governor's remark calling for prudence in bond transactions. However, other long-term government bonds firmed.

CANADA

THE recovery in Toronto continued yesterday after seven consecutive easier sessions.

Golds led the advance, reflecting the higher world bullion price. Lac Minerals traded C$½ higher at C$33½ and Red Campbell Lake added C$½ to C$30½.

Among actives, Inco was unchanged at C$18¼, Magna International rose C$⅛ to C$18⅛ and Dome Petroleum shed 5 cents to C$2.73. Genstar, up C$⅛ at C$30⅝, and Canadian Pacific, unchanged at C$16¾, were also active.

Banks edged firmer in Montreal while industrials and utilities shaded lower.

SOUTH AFRICA

A FIRMER trend developed in Johannesburg despite a weaker dollar gold price.

Randfontein added R4 to R214 and Southvaal rose R1.50 to R90 while Harties added 25 cents to R10.75. Mining financials and most other miners mirrored golds. Amgold added R3 to R185 and diamond share De Beers gained 20 cents to R12.

Platinums were higher with Impala up R1 at R21.75. Industrials ended mixed with a firmer bias.

MALAYSIA

Activity in second-liners puts blue chips in shade

THE MALAYSIAN Stock Exchange, which has been the subject of a series of market-boosting measures by the Government in recent months, has sprung back to activity after a long lull, with record volumes and impressive gains being registered in recent days, *writes Wong Sulong in Kuala Lumpur.*

Last week, a total of 113m shares, valued at 241m ringgit ($97m) was traded – a record so far this year – and yesterday's volume of 39.2m shares, valued at 76m ringgit, was the highest recorded during the past two years.

Significantly, the chief gains were confined to Malaysian-based situational stocks and second-liners, while blue chips and Singapore-incorporated companies were neglected.

As a result, about a score of issues have put on impressive gains, some having appreciated by as much as 50 per cent in the past two weeks, while the Kuala Lumpur Stock Exchange industrial index, has hardly moved.

A foreign stock analyst said Malaysian fund managers and other local corporate investors had adopted a new strategy in the market by confining their activity mainly to domestic issues which are relatively tightly held. That has given them greater control of market operations.

Malaysian institutional investors appeared to have learned a lesson from the short-lived rally last July when they were persuaded by Mr Daim Zainuddin, Malaysia's powerful Finance Minister, to buy actively in order to boost the market. The buying by Malaysian institutions was broad-based, and the rally fizzled within days because of heavy selling by Singapore and overseas investors seeking to take profits.

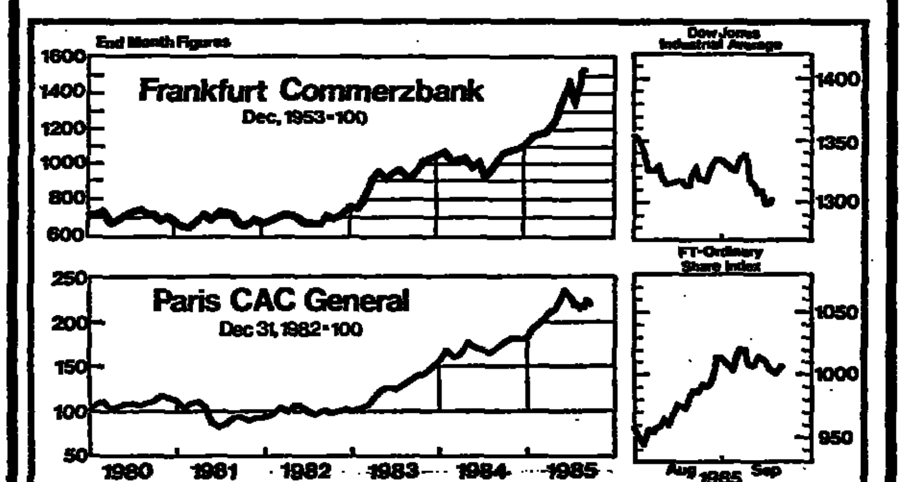
Once again, analysts are wondering how long the current bullish run can be sustained, especially in the light of poorer corporate results.

Some feel the market is being pushed up because of political expediency – the annual meeting of the ruling United Malays National Organisation, where the country's economic performance will be a subject for debate, begins a week today.

Stockbrokers report considerable interest by Malaysian investors, and feel the market might be on the way to recovery if the momentum can be sustained for another couple of weeks.

Companies that have made significant gains in the current run-up include Antab Holdings, Malaysian American Assurance, MBF Holdings, Roxy, Kesang, Trengganu Development, Ganda, and Development and Commercial Bank.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 19	Previous	Year ago
DJ Industrials	1,305.67*	1,300.40	1,213.01
DJ Transport	655.08*	648.29	521.26
DJ Utilities	153.67*	153.31	134.59
S&P Composite	183.12*	181.71	166.94
LONDON	Sept 19	Previous	Year ago
FT Ord	1,007.8	1,000.8	868.2
FT-SE 100	1,306.8	1,294.8	1,125.2
FT-A All-share	683.7	626.98	531.35
FT-A 500	695.65	690.25	580.19
FT Gold mines	308.6	316.4	539.1
FT-A Long gilt	10.40	10.39	10.46
TOKYO			
Nikkei-Dow	12,564.99	12,529.66	10,552.3
Tokyo SE	1,004.10	1,003.70	816.83
AUSTRALIA			
All Ord.	943.3	945.4	717.1
Metals & Mins.	507.5	511.0	425.8
AUSTRIA			
Credit Aktien	100.09	100.28	54.32
BELGIUM			
Belgian SE	2,485.10	2,472.65	–
CANADA	Sept 19	Prev	Yr ago
Toronto			
Metals & Minls	1,925.1*	1,911.6	1,962.0
Composite	2,674.4*	2,662.0	2,396.6
Montreal			
Portfolio	131.03*	130.51	118.82
DENMARK			
SE	n/a	216.01	176.11
FRANCE			
CAC Gen	218.3	218.0	174.0
Ind. Tendance	123.1	123.0	113.3
WEST GERMANY			
FAZ-Aktien	520.09	522.64	362.34
Commerzbank	1,535.3	1,541.1	1,049.1
HONG KONG			
Hang Seng	1,563.27	1,563.62	983.79
ITALY			
Banca Comm.	398.93	399.17	214.91
NETHERLANDS			
ANP-CBS Gen	221.2	220.0	175.2
ANP-CBS Ind	193.3	192.1	137.6
NORWAY			
Oslo SE	386.06	365.99	258.23
SINGAPORE			
Straits Times	778.98	766.96	892.33
SOUTH AFRICA	Sept 19	Prev	Yr Ago
JSE Golds	–	1,034.9	931.9
JSE Industrials	–	946.9	853.5
SPAIN			
Madrid SE	108.99	109.00	147.00
SWEDEN			
J & P	1,398.84	1,396.88	1,454.78
SWITZERLAND			
Swiss Bank Ind	494.5	491.7	377.7
WORLD	Sept 18	Prev	Year ago
Capital Int'l	212.0	212.2	182.7

GOLD (per ounce)

	Sept 19	Prev
London	$316.75	$315.00
Zürich	$316.75	$316.65
Paris (fixing)	$316.84	$316.86
Luxembourg	$315.50	$315.50
New York (Dec)	$324.60	$319.80

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Sept 19	Previous	Sept 19	Previous
$	–	–	1.3405	1.336
DM	2.901	2.903	3.8875	3.8775
Yen	242.0	242.1	324.5	323.5
FFr	8.845	8.86	11.8575	11.8375
SwFr	2.383	2.388	3.195	3.19
Guilder	3.2615	3.259	4.3725	4.355
Lira	1,950.0	1,944.0	2,614.0	2,597.0
BFr	58.6	58.65	78.55	78.35
C$	1.37955	1.37775	1.8454	1.841

INTEREST RATES

	Sept 19	Prev
Euro-currencies (3-month offered rate)		
£	11 9/16	11 9/16
SwFr	4 11/16	4 11/16
DM	4½	4½
FFr	9 11/16	9 13/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 5/16	8⅜
6-month U.S.$	8⅜	8½
U.S. Fed Funds	7⅛*	7⅛
U.S. 3-month CDs	7.90*	7.85
U.S. 3-month T-bills	7.085*	7.095

U.S BONDS

Treasury		Sept 19* Price	Sept 19* Yield	Prev Price	Prev Yield
8%	1987	99 21/32	9.062	99 20/32	9.08
10⅜	1992	100 11/32	10.289	100 14/32	10.27
10½	1995	100 16/32	10.435	100 17/32	10.42
10⅜	2015	99 18/32	10.679	99 19/32	10.67

Corporate	Sep 19* Price	Sep 19* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	99⅜	10.45	99⅜	10.45
3⅜ July 1990	81½	8.70	81½	8.70
8⅜ May 2000	82⅜	11.15	82⅜	11.15
Xerox				
10⅜ Mar 1993	98½	10.92	98½	10.92
Diamond Shamrock				
10⅜ May 1993	96½	11.32	96½	11.32
Federated Dept Stores				
10⅜ May 2013	92⅜	11.50	92⅜	11.50
Abbot Lab				
11.80 Feb 2013	101⅜	11.60	101⅜	11.60
Alcoa				
12⅜ Dec 2012	98⅜	12.40	98⅜	12.40

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	74-29	75-00	74-14	74-23
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.61	92.64	92.58	92.63
Certificates of Deposit (IMM) $1m points of 100%				
Dec	91.65	91.68	91.64	91.69
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.36	91.36	91.30	91.03
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111-18	111-19	111-13	111-20

COMMODITIES

(London)	Sept 19	Prev
Silver (spot fixing)	444.35p	441.00p
Copper (cash)	£1,005.50	£1,009.00
Coffee (Sept)	£1,673.00	£1,684.00
Oil (spot Arabian Light)	$27.30	$27.30